2015 The Economic Review

Newfoundland
Labrador

The Economic Review
Newfoundland and Labrador

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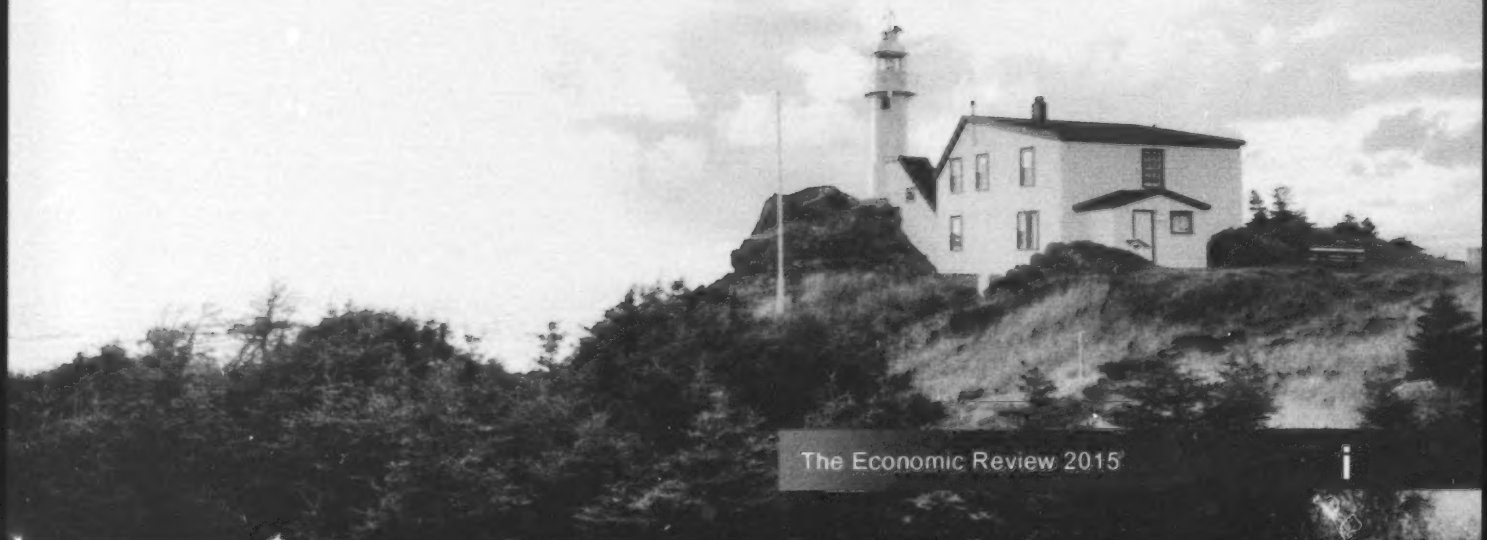


GDP and Employment
by Industry

	GDP 2013p		Employment 2014	
	$ Millions	% of Total	Person Years 000s	% of Total
Goods-Producing Sector	**17,316.5**	**51.4**	**54.7**	**22.9**
Agriculture, Forestry & Logging	176.9	0.5	2.2	0.9
Fishing, Hunting & Trapping	317.9	0.9	3.1	1.3
Mining	1,956.7	5.8	4.5	1.9
Oil Extraction & Support Activities	9,564.1	28.4	9.2	3.9
Manufacturing	918.8	2.7	10.6	4.4
Fish Products	338.1	1.0	2.7	1.1
Other	580.8	1.7	7.9	3.3
Construction	3,597.9	10.7	22.6	9.5
Utilities	784.2	2.3	2.6	1.1
Services-Producing Sector	**16,340.5**	**48.6**	**183.9**	**77.1**
Wholesale Trade	760.6	2.3	6.1	2.6
Retail Trade	1,618.9	4.8	33.3	14.0
Transportation & Warehousing	821.2	2.4	11.7	4.9
Finance, Insurance, Real Estate & Business Support Services	4,227.3	12.6	15.0	6.3
Professional, Scientific & Technical Services	757.3	2.3	10.6	4.4
Educational Services	1,645.8	4.9	17.6	7.4
Health Care & Social Assistance	2,339.2	7.0	37.5	15.7
Information, Culture & Recreation	790.9	2.3	7.5	3.1
Accommodation & Food Services	535.1	1.6	15.1	6.3
Public Administration	2,332.4	6.9	17.5	7.3
Other Services	511.6	1.5	12.0	5.0
Total, All Industries	**33,657.0**	**100.0**	**238.6**	**100.0**

p: preliminary

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products. Industry components may not sum to total due to independent rounding.

Source: Statistics Canada; Department of Finance

Global Economic Environment

The World

The global economy has yet to achieve robust and synchronized growth a full six years after emerging from the deepest post-war recession on record. Many of the world's larger economies—both advanced and emerging market economies—have been unable to achieve consistently stronger momentum despite generally accommodative monetary policy and low inflation. As a result, global economic growth has fallen short of expectations in each of the past four years and this trend continued in 2015. At the beginning of 2015, the International Monetary Fund (IMF) was forecasting world GDP growth of 3.5%. As of October, this had been revised down to 3.1% with downward revisions to most of the world's largest economies.

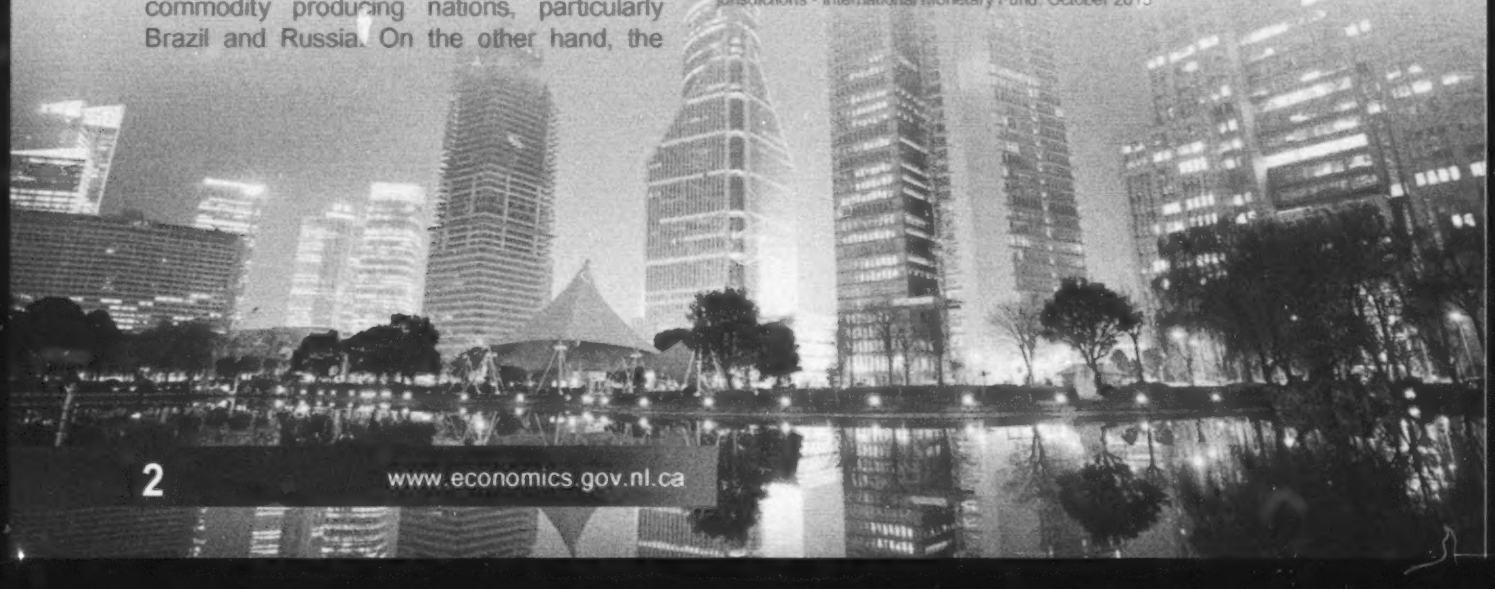
The dynamics of global growth are changing. For several years, emerging economies, particularly China, were fuelling global growth. China's recent effort to redistribute growth from exports to domestic consumption is slowing its economic growth. This slower growth, combined with the recent declines in oil and mineral prices, is negatively impacting many commodity producing nations, particularly Brazil and Russia. On the other hand, the

Real Gross Domestic Product (GDP) Growth (%)

	2014	2015f	2016f
World	**3.4**	**3.1**	**3.6**
Brazil	0.1	-3.0	-1.0
India	7.3	7.3	7.5
Russia	0.6	-3.8	-0.6
China	7.3	6.8	6.3
Canada	**2.4**	**1.2**	**2.1**
United States	**2.4**	**2.3**	**2.8**
Japan	-0.1	0.6	1.0
Australia	2.7	2.4	2.9
European Union	1.5	1.9	1.9
United Kingdom	3.0	2.5	2.2
Euro Area	0.9	1.5	1.6
Ireland	5.2	4.8	3.8
Germany	1.6	1.5	1.6
France	0.2	1.2	1.5
Spain	1.4	3.1	2.5
Portugal	0.9	1.6	1.5
Italy	-0.4	0.8	1.3
Greece	0.8	-2.3	-1.3

f: forecast

Source: Canada - average forecast of major Canadian banks and Conference Board of Canada; U.S. - Survey of Professional Forecasters, U.S. Federal Reserve Bank of Philadelphia; all other jurisdictions - International Monetary Fund, October 2015



decline in oil prices is boosting consumption, especially in major oil importing countries. These factors are causing a realignment of economic growth. With modest, but improving growth occurring in the United States and most European countries and strong growth continuing in India, these countries are now playing a larger role in global growth.

Looking forward to 2016, the IMF is forecasting acceleration in world GDP growth to 3.6%. Advanced economies are expected to record modest growth next year. In emerging market economies, growth prospects generally appear set to improve as recessionary impacts recede in hard hit countries such as Russia and Brazil. However, growth in China is expected to continue to slow despite the introduction of more stimulus measures by its government and central bank.

United States

The United States is the second largest economy in the world, accounting for 15.9% of global GDP on a purchasing power parity (PPP) basis in 2014.[1] The U.S. economy has continued to experience a modest economic recovery thus far in 2015. Quarterly real GDP growth averaged 2.0% (at an annualized rate) in the first three quarters of the year. Growth was driven mainly by gains in consumer spending and investment. Government spending increased moderately while exports were held back by a rising U.S. dollar.

The U.S. economic recovery continues to produce improving labour market conditions, but the pace of job gains has slowed in recent months. Average monthly employment gains slowed from an annualized rate of 2.8% (324,000 jobs per month) in the fourth quarter of 2014 to 1.6% (187,000 jobs per month) over the August to October 2015 period. In tandem with rising employment, the unemployment rate declined from 5.7% in January to 5.0% in October. As well, average weekly earnings rose by 2.4% during the first 10 months of the year compared to the same period of 2014. Wage gains, combined with employment growth, produced a 4.0% increase in labour compensation and a 4.3% increase in personal income during the first three quarters of 2015 relative to the same period in 2014.

Consistent economic growth and concerns about inducing future inflation beyond its target level prompted the Federal Reserve (Fed) to end its asset purchasing program near the end of October 2014. The Fed was originally expected to start raising interest rates shortly after this, but weak inflation numbers, falling oil prices and a rising U.S. dollar amid concerns over slowing economic growth in developing countries have delayed interest rate increases. The Fed is now expected to raise its benchmark Federal Funds rate from its current 0 to 0.25 percent range in December 2015 or early 2016.

GDP growth in the U.S. is expected to average 2.3% this year and accelerate to 2.8% in 2016. Consumption growth is expected to be underpinned by gains in employment and income. Business investment will continue to be aided by low interest rates while exports are expected to be hampered by a high U.S. dollar and slowing growth in emerging economies.

1 Purchasing power parity (PPP) is a currency conversion technique that eliminates the effects of the differences in price levels across countries, thus allowing international comparisons of GDP and price levels.

Europe

The European Union (EU) consists of 28 countries. Collectively, these countries accounted for 17.1% of global GDP in 2014, with the largest economies being those of Germany (3.4% of world GDP), France (2.4%), the United Kingdom (2.4%), Italy (2.0%) and Spain (1.4%). Within the EU, 19 jurisdictions have adopted the euro as their currency—these regions are often referred to as the euro area or the Eurozone.

Year-to-date economic growth in Europe, while still modest, has generally been in line with or slightly ahead of expectations aided by the recent decline in energy prices and reduced financial market volatility. In the second quarter of 2015, real GDP rose by an annualized rate of 1.8% and 1.4% in the EU and Eurozone, respectively. Real GDP increased in all EU countries (for which data were available) during the second quarter, with the exception of France where growth was flat. Private consumption was the main contributor to GDP growth in the second quarter.

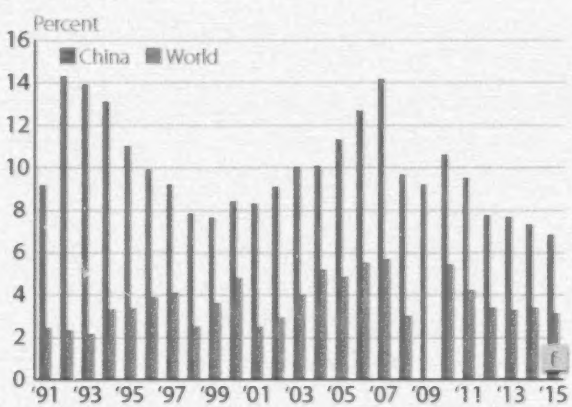
While the European economy is showing signs of recovery following the 2008-09 recession and the subsequent sovereign debt crisis, the economic recovery remains fragile, characterized by relatively low growth and the persistence of high unemployment and low inflation. The European Central Bank (ECB) has indicated that it intends to maintain low interest rates and to continue its €60 billion per month asset purchase program for an extended period to prevent the possibility of another economic downturn. Many analysts are expecting the ECB to announce a further reduction in interest rates in December 2015.

The IMF is currently forecasting real GDP growth of 1.9% and 1.5% for the EU and Eurozone, respectively in 2015. Economic growth of 1.9% for the EU and 1.6% for the Eurozone is forecast for 2016.

China

China is now the largest economy in the world having recently surpassed the United States. According to the IMF, China's economy accounted for 16.6% of global GDP on a PPP basis in 2014, just ahead of the U.S. at 15.9%. However, China fares much less favourably in terms of per capita GDP. On a PPP basis, China's per capita GDP is $13,224 (international dollars) in comparison to $54,370 for the U.S. and $44,967 for Canada.[2]

Real GDP Growth



f: forecast

Source: International Monetary Fund

As a developing country, China's economic growth continues to be significantly higher than the global average; however, its growth rate has declined significantly in recent years (see chart). China's real GDP growth declined throughout the 1990s, hit a trough in 1999, and increased significantly thereafter until the 2008/09 global recession resulted in a significant decline in export demand.

2 An international dollar would buy in the cited country a comparable amount of goods and services a U.S. dollar would buy in the United States.

With relatively weak export growth over the past few years, the Chinese government has implemented policies designed to make its economy less dependent on exports and encourage service sector expansion and greater domestic consumption. The government has also taken steps to lessen pollution and reduce excess capacity in the economy. As a result of these actions, China's commodity demand has slowed, and this, combined with higher than expected global commodity supply growth, are the main factors behind the collapse of oil and iron ore prices.

Fears that the country's economic growth slowed too quickly prompted the People's Bank of China to cut its benchmark lending rate six times over the past year to 4.35%. To further stimulate economic activity, the central bank lowered the chartered banks' reserve requirement ratio by 2.0 percentage points over the past year to 18%. In addition, the government has pressed ahead with more reforms including the introduction of a bank deposit insurance program on May 1, 2015. Also, it plans to make gradual adjustments in the hukou (household registration) system, which would lead to more efficient use of the country's labour supply by facilitating increased labour mobility.

In the third quarter of 2015, China's real GDP grew at an annualized rate of 6.9%, down slightly from the 7.0% recorded in the second quarter. The IMF forecasts that China's real GDP will increase by 6.8% in 2015 and 6.3% in 2016.

Japan

Japan is the fourth largest economy in the world on a PPP basis, accounting for 4.4% of global GDP in 2014. According to the IMF, Japan ranks 30th in the world in terms of real GDP per capita at $37,519 (on a PPP basis).

Since 2008, the Japanese economy has been in recession on four separate occasions and the country continues to experience serious economic difficulties, including persistently low inflation/deflation, increasingly high levels of government debt and weak private sector growth. In addition, Japan has the fastest aging population in the world, which continues to put pressure on its social security system and constrain its labour supply.

In 2013, the Government of Japan launched a three-pronged approach for economic recovery through monetary, fiscal and structural policies. These policies included a large fiscal stimulus program; measures by the Bank of Japan to increase the money supply; and, structural reforms such as reducing protectionism for selected industries and reducing labour market rigidities. Thus far, these policies have had only limited success.

Following two consecutive quarters of negative real GDP growth, Japan's economy came out of recession in the fourth quarter of 2014; however, real GDP contracted once again (-1.2% on an annualized basis) in the second quarter of 2015. Over the January to August period, employment in Japan increased by 0.4% and the labour force rose by 0.1%. Consequently, the country's year-to-date unemployment rate declined 0.2 percentage points to 3.5%.

In April 2014, Japan raised its sales tax from 5% to 8% in an effort to reduce its deficit; however, private consumption fell dramatically as a result. The government had planned a further 2% sales tax increase in October 2014, but that increase was postponed for 18 months due to concerns that another increase at that time would reduce domestic consumption even further and, in the short term, prolong the country's economic difficulties.

Low inflation and possible deflation remain a serious concern and the Bank of Japan has stated that its policy of quantitative and qualitative monetary easing will continue as long as necessary to maintain the inflation target of 2%. The IMF forecasts that Japan's real GDP will increase by only 0.6% in 2015 and 1.0% in 2016.

Canada

Similar to other countries around the globe, recent economic growth in Canada has been below average and volatile in nature. The most recent quarterly estimates by Statistics Canada indicate that real GDP growth was negative in the first and second quarters of 2015 at -0.8% and -0.5%, respectively (annualized rates). Exports have been hard hit by the decline in oil and mineral prices. Following a 1.7% decline in the fourth quarter of 2014, exports declined by another 1.4% in the first quarter of this year before posting a moderate 0.4% increase in the second quarter. Household spending was also weak in the first quarter of 2015 increasing by only 0.5%; however, it rebounded in the second quarter growing by 2.3%. Business investment was particularly weak throughout the first half of 2015 posting negative growth of -10.9% and -7.9% in the first and second quarters, respectively.

Despite the quarterly declines in real GDP, the Canadian economy has shown improvement over the past three months. The most recent monthly data indicate that the economy grew in June, July and August at annualized rates of 5.2%, 3.3% and 1.7%, respectively.

During the first 10 months of 2015, employment growth in Canada was relatively weak, growing by 0.8% versus the same period last year. However, there was wide variation across regions—Western Canada posted above average growth, Ontario and Québec were close to the national average, while employment growth in the Atlantic Provinces was markedly weaker. Over the January to August period, growth in both average weekly earnings and retail sales in Canada has been relatively healthy (each growing by 2.0%), although once again there was wide variation across provinces. With respect to growth in average weekly earnings, the Atlantic region has generally been the growth leader and, in the case of retail sales growth, British Columbia and Ontario were ahead of the other provinces.

On a year-to-date basis (to November 6th), the Canadian dollar depreciated by 13.2% relative to the U.S. dollar, partly due to the decline in oil prices. In an attempt to boost investment and stimulate economic growth, the Bank of Canada lowered the target overnight bank rate twice so far in 2015—by 25 basis points on January 21st and by another 25 basis points on July 15th. The target overnight rate currently stands at 0.5%.

Regional economic performance varied across the country because of the disproportional effect of lower commodity prices. Lower energy prices will continue to help economic performance in manufacturing intensive provinces, such as Québec and Ontario, while at the same time impeding performance in the more resource-based provinces, such as Newfoundland and Labrador, Saskatchewan and Alberta. The latest consensus of bank forecasts and the Conference Board of Canada expects growth in Canada to average 1.2% in 2015 and 2.1% in 2016. British Columbia, Manitoba and Ontario are expected to lead the provinces in growth both this year and next.

Provincial Economic Overview

Economic activity in Newfoundland and Labrador continued at high levels throughout 2015. Consumer and government spending as well as capital investment remained at levels similar to 2014. However, the export sector was negatively impacted by lower oil output. For the year as a whole, real final domestic demand is expected to be down slightly compared to 2014, while real GDP is forecast to decline by 2.6% due to lower exports (see table on page 8).

On an industry basis, performance has been mixed this year. The oil sector is expected to record lower production due to operational issues and natural declines in reserves, and lower oil prices have eroded the value of production. In the mining sector, low iron ore prices continue to present a challenge. However, the largest industry player, Iron Ore Company of Canada, recently completed an expansion project, allowing for improved operational performance and productivity. The fishing industry has benefitted from the depreciation of the Canadian dollar relative to the U.S. dollar and record inshore shrimp prices. The manufacturing sector has received a boost from the start-up of production from Vale's nickel processing facility while newsprint and lumber production have remained relatively stable. The construction industry continues to benefit from major project development which supports high levels of employment and income. The tourism sector continues to build on past gains—non-resident air and automobile visitation increased by 2.0% in the first eight months of 2015.

The value of provincial exports is expected to decline 17.6% in 2015 due primarily to lower oil prices and production. Oil production is expected to decline by almost 16% this year as a result of lower output from all three projects—Hibernia, Terra Nova and White Rose. This, combined with a decline of 46% in the average price of Brent crude, is expected to result in a decrease of almost 50% in the value of oil exports.

Provincial Economic Indicators

	2014e	2015f	2016f	2017f	2018f	2019f	2020f
GDP at Market Prices ($ M)	33,514	30,340	31,410	32,554	33,425	34,473	35,771
% Change	-4.2	-9.5	3.5	3.6	2.7	3.1	3.8
% Change, real	-2.0	-2.6	0.9	-1.0	-0.3	1.5	1.7
Final Domestic Demand* ($ M)	35,639	35,986	35,653	33,632	31,939	33,200	34,256
% Change	4.0	1.0	-0.9	-5.7	-5.0	3.9	3.2
% Change, real	1.5	-0.6	-2.6	-7.0	-6.5	2.0	1.2
Household Income ($ M)	24,488	24,807	25,154	24,715	24,839	25,789	26,892
% Change	4.4	1.3	1.4	-1.7	0.5	3.8	4.3
% Change, real	2.4	1.0	-0.7	-3.4	-1.3	1.9	2.4
Household Disposable Income ($ M)	16,885	17,104	17,354	17,076	17,178	17,834	18,593
% Change	4.3	1.3	1.5	-1.6	0.6	3.8	4.3
% Change, real	2.3	1.0	-0.7	-3.3	-1.2	1.9	2.4
Retail Sales ($ M)	8,882	8,893	9,008	8,936	8,904	9,018	9,279
% Change	3.4	0.1	1.3	-0.8	-0.4	1.3	2.9
% Change, real	1.6	0.4	-0.8	-2.1	-1.7	-0.1	1.6
Consumer Price Index (2002=100)	128.4	128.8	131.6	133.8	136.3	138.9	141.4
% Change	1.9	0.3	2.1	1.7	1.9	1.9	1.8
Capital Investment ($ M)	11,853	11,737	11,113	9,061	7,201	8,139	8,520
% Change	5.9	-1.0	-5.3	-18.5	-20.5	13.0	4.7
% Change, real	2.5	-3.3	-7.0	-19.3	-21.5	10.5	2.6
Housing Starts (Units)	2,119	1,655	1,522	1,273	1,216	1,304	1,440
% Change	-26.0	-21.9	-8.1	-16.3	-4.5	7.3	10.4
Employment (000s)	238.6	237.1	234.7	226.5	221.7	223.0	226.4
% Change	-1.7	-0.6	-1.0	-3.5	-2.1	0.5	1.5
Labour Force (000s)	270.9	270.7	267.9	263.8	261.3	261.6	262.2
% Change	-1.3	-0.1	-1.0	-1.5	-0.9	0.1	0.3
Unemployment Rate (%)	11.9	12.4	12.4	14.2	15.1	14.8	13.7
Population (000s)	529.1	527.8	526.4	524.8	523.5	523.9	526.3
% Change	0.2	-0.2	-0.3	-0.3	-0.2	0.1	0.5

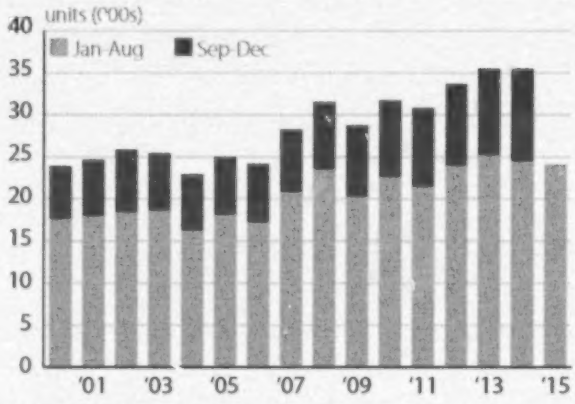
* Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

e: estimate; f: forecast, Department of Finance, November 2015

Source: Statistics Canada; Department of Finance

Capital investment in the province remained at very high levels in 2015. Investment is expected to total $11.7 billion this year, down slightly from the record level reported in 2014. Higher spending on the Muskrat Falls development will be offset by lower spending on Vale's nickel processing facility in Long Harbour and the Hebron oil project. Solid commercial and residential expenditures are also contributing to the high level of investment spending. Total residential spending (including renovations) is expected to be $1.5 billion this year, a decline from 2014 but still high in a historical context.

New Motor Vehicle Sales
Newfoundland and Labrador



Source: Statistics Canada

Consumer spending has remained steady this year. The value of retail sales in the first eight months of 2015 was unchanged compared to the same period of 2014. A lower value of sales at gasoline stations—mostly price related—constrained overall growth in retail sales. Sales at furniture and electronic stores were also sluggish in the first eight months of 2015. This may be partially related to lower housing starts this year. Car sales, despite being down compared to last year, continued to be robust. The number of new motor vehicles sold in the first eight months of 2015 was just over 24,000, 1.6% lower than the same period of 2014 but high in a historical context (see chart). Vehicle sales have been at extremely high levels in recent years, reflecting the high level of employment and income in the province. Expenditures on services posted growth this year. For example, receipts of food services and drinking places increased by 11.3% in the first seven months of 2015 compared to the same period of 2014.

Inflation

On a year-over-year basis, growth in the Consumer Price Index (CPI), or inflation, was 0.3% in the first nine months of 2015. Lower crude oil prices resulted in lower consumer prices for gasoline and fuel oil—down 16.8% and 24.3%, respectively. This constrained overall growth in the CPI. Higher prices for food (3.9%) and tobacco products (5.5%) were the main catalysts for upward pressure on inflation this year.

Labour Markets

Employment, as measured by Statistics Canada's Labour Force Survey (LFS), declined by 0.9% in the first 10 months of 2015 compared to the same period of 2014. The participation rate averaged 61.3% during the first 10 months of the year, unchanged from the same period in 2014; however, a drop in the population aged 15 and over resulted in a decline of 0.3% (or 700) in the labour force. As the decrease in employment was greater than that of the labour force, the unemployment rate increased. During the first 10 months of the year, the unemployment rate averaged 12.7%, an increase of 0.6 percentage points compared to the same period of 2014.

Other indicators of labour market activity depicted a more positive picture than the labour force characteristics from Statistics Canada's LFS. Average weekly earnings rose by 3.1% in the first

eight months of 2015 and, at $1,015, were the second highest among provinces after Alberta. The increase in wages led to a 4.0% gain in total compensation of employees for the first six months of 2015. Furthermore, other estimates of employment indicate a stronger employment performance than the LFS. The Survey of Employment, Payrolls and Hours (SEPH) reported an average increase of 0.9% in the number of employees for the first eight months of the year compared to the same period of 2014.

Population

Economic expansion has served to increase the province's population in recent years. Prior to 2008, the population had declined for 15 consecutive years because of high levels of out-migration. However, in recent years net outmigration has fallen and the province's population grew from 2008 to 2014, recording a total gain of about 20,000 persons over this period. Although the current population estimate for 2015 indicates a slight decline in population from the previous year, it should be noted that this estimate is preliminary and will likely be revised several times. Preliminary data released by Statistics Canada indicates that the population of the province on July 1, 2015 was 527,756, a decline of 0.2% compared to one year earlier.

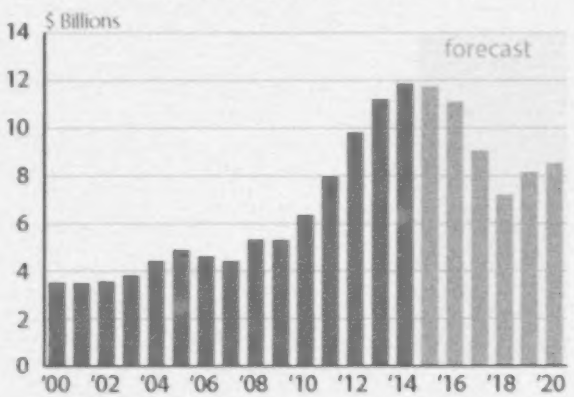
Outlook

While the long-term outlook remains positive, in the short-term, the winding down of development of several major projects, in particular Hebron and Muskrat Falls, will lower capital spending over the next few years. Furthermore, low commodity prices have dampened short-term resource development and are expected to continue to do so. Taken together, these factors are expected to negatively impact capital investment expenditures in the province. Over the next several years, investment is forecast to decline from $11.7 billion in 2015 to $7.2 billion in 2018.

In 2016, higher oil and mining output will provide a boost to exports and this will translate into growth of 0.9% in real GDP. However, as Hebron and Muskrat Falls move closer to completion, a decline in capital investment is expected. This will result in lower employment. As well, low oil prices are dampening development activity in Western Canada and this will likely impact employment of some Newfoundland and Labrador residents who commute to Western Canada. These factors are forecast to dampen income and consumption growth. Consequently, final domestic demand (real terms) is expected to fall by 2.6%.

Capital Investment

Newfoundland and Labrador



Source: Statistics Canada

In 2017 and 2018, economic growth is expected to be constrained by declines in capital investment. Most main economic indicators are forecast to decline in these years. While growth is expected to be challenged in the near term, it is important to note that it is happening at a point when incomes are the highest they have been in the province's history. Following a sustained period of robust capital investment stemming from major project development, a period of retrenchment is expected.

Beyond 2018, the economy is forecast to grow again. Production from Hebron, the Voisey's Bay underground mine and Muskrat Falls, as well as development of other offshore resources, such as Statoil's Bay du Nord discovery, are expected to provide a boost to the province's economy.

Furthermore, there is significant long-term potential in the provincial economy, particularly in the energy sector. There are substantial oil and gas resources in the Newfoundland and Labrador offshore area. This is evidenced by the recent resource assessment of 11 parcels in the Flemish Pass. This region alone, which covers less than 2% of the province's 1.5 million square kilometre offshore area, is estimated to have a resource potential of 12 billion barrels of oil and 113 trillion cubic feet of natural gas. Land sale results in December 2014 showed industry's confidence in the offshore potential. The bid on one parcel in the Flemish Pass by ExxonMobil Canada Ltd., Suncor Energy Inc. and ConocoPhillips Canada Resources Corp. was $559 million, the highest bid ever on a land parcel in the Newfoundland and Labrador offshore area. Deepwater exploration and development hold significant opportunities for future growth in oil production and by extension, the provincial economy.

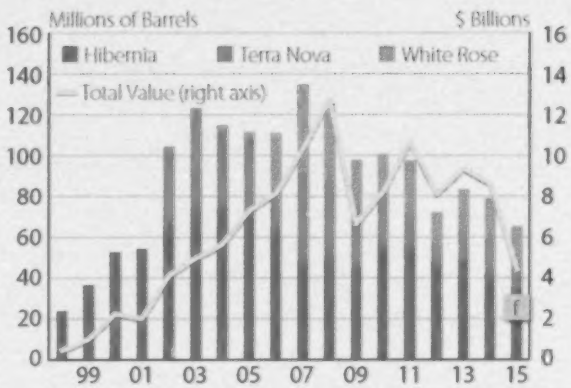
Oil and Gas

The oil and gas industry is the largest contributor to provincial GDP. It is estimated that oil and gas extraction and support activities accounted for 28.4% of the province's nominal GDP in 2013. In 2014, employment in the oil and gas industry (including support activities for mining and oil and gas extraction) was approximately 9,200 person years. Oil production in the province is expected to total 66.2 million barrels in 2015, 12.7 million barrels (16.1%) less than the previous year as a result of reduced production at all three producing projects (see chart). Year-to-date (January to September) production totalled 47.3 million barrels, 11.8 million barrels (20.0%) less than the same period in 2014. The value of oil production in 2015 is expected to decrease to $4.5 billion, down from an estimated $8.6 billion in 2014. The decrease is the result of both reduced production volumes and lower crude oil prices. The price of Brent crude oil, a benchmark for Newfoundland and Labrador oil, is expected to average US$53.75/barrel in 2015, compared to US$98.89/barrel in 2014 (see chart).

Hibernia

Through the first nine months of 2015, Hibernia production totalled 25.8 million barrels, down 21.3% (or 7.0 million barrels) from the same period in 2014. Hibernia underwent a planned regulatory maintenance and inspection turnaround from September 18th to October 21st. For 2015 as a whole, Hibernia production is expected to total 34.7 million barrels, 7.4 million barrels (17.6%) less than 2014.

Offshore Oil Production



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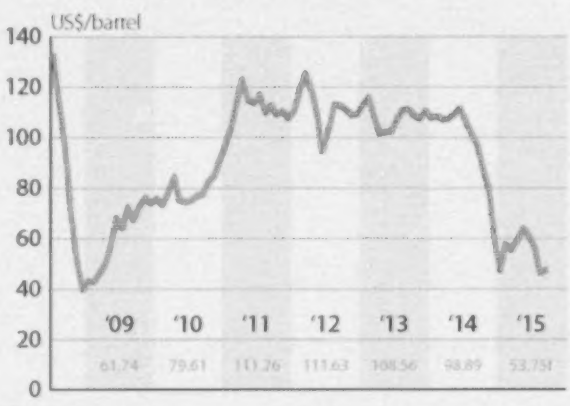
Source: C-NLOPB; Department of Finance

Brent Crude Oil Monthly Spot Prices



f: forecast
Source: U.S. Energy Information Administration; Department of Finance

Cumulative production from Hibernia, since first oil in November 1997 to September 30, 2015, was 945 million barrels (57% of reserves) with an estimated value of $64.9 billion. As of September 30, 2015, there were a total of 2,329 people working on the Hibernia project of which 1,973 (85%) were Newfoundland and Labrador residents at the time of hire. All of these positions were located in the province.

Terra Nova

Terra Nova produced 9.9 million barrels of oil during the first nine months of 2015, 1.0 million barrels (9.5%) less than the same period in 2014. On May 13, 2015, the *Terra Nova FPSO* was taken offline for scheduled maintenance. Work included routine maintenance as well as tank remediation. Production resumed July 5th, two and a half weeks ahead of schedule. Terra Nova production was unexpectedly suspended in early October as a result of two separate incidents. Following an investigation of the incidents, production resumed on October 13th. For 2015 as a whole, Terra Nova production is expected to total 14.9 million barrels, 1.9 million barrels (11.2%) less than 2014.

Cumulative production from Terra Nova, since first oil in January 2002 to September 30, 2015, was 376 million barrels (74% of reserves) with an estimated value of $26.5 billion. As of March 31, 2015, there were a total of 977 people working on the Terra Nova project (all locations) of which 896 (92%) were Newfoundland and Labrador residents at the time of hire.

White Rose (including North Amethyst)

Through the first nine months of this year, the White Rose project produced 11.6 million barrels, 3.8 million barrels (24.6%) less than the same period in 2014. The *SeaRose FPSO* underwent a scheduled turnaround for routine maintenance from August 13 to August 28, 2015. Annual production for 2015 is expected to total 16.5 million barrels, 3.4 million barrels (16.9%) less than 2014.

On December 17, 2014, Husky Energy announced that, in light of reduced oil prices, it was deferring the final investment decision on the West White Rose extension project by one year. Husky also announced that it will be considering alternative modes of development to the wellhead platform, including a sub-sea development concept. Despite the delay in the final investment decision, Husky has indicated it remains committed to the development of West White Rose as the project remains an important part of its long-term portfolio.

Cumulative production from White Rose, since first oil in November 2005 to September 30, 2015, was 249 million barrels (52% of reserves) with an estimated value of $22.5 billion. As of September 30, 2015, total employment on the White Rose project (all locations) was 1,292 of which 1,193 (92%) were residents of Newfoundland and Labrador at the time of hire.

Hebron

The Hebron project, estimated to contain 707 million barrels of recoverable oil, received official sanction on December 31, 2012. The Hebron field will be developed using a stand-alone gravity based structure (GBS) similar to, but on a smaller scale than, Hibernia. The Hebron GBS is being designed for an oil production rate of 150,000 barrels of oil per day. The total capital cost for the project is estimated at $14 billion.

GBS construction at the Bull Arm dry dock began in October 2012. After pouring the GBS base slab, the GBS was floated to the deepwater site on July 22, 2014 for remaining construction. As of June 2015, 50,000 cubic metres of concrete had been poured and the GBS stood at 70 metres in height. When completed to its final height of approximately 120 metres, the GBS will be integrated with the topsides.

Fabrication of the topsides facilities is underway at sites throughout the province and outside Canada. The living quarters module is progressing at several locations including Bull Arm, Torbay and Argentia and is scheduled for completion in 2016. Fabrication of the 3,200 tonne drilling support module is taking place in Marystown and is expected to be completed in the fall of 2015. Talon Energy Services recently completed construction of the 360 metric tonne flare boom in Channel-Port aux Basques. Topsides are expected to arrive at the Bull Arm site this fall to be assembled. Integration of the topsides with the GBS is scheduled for 2016. The project is on schedule with first oil expected before the end of 2017.

As of September 30, 2015, in-province employment on the Hebron project totalled 6,003 of which 5,297 (88%) were residents of Newfoundland and Labrador.

Recent Discoveries

In 2013, Statoil announced two new discoveries in the deepwater (approximately 1,100 metres) Flemish Pass Basin. The Harpoon discovery (whose resource potential has yet to be determined) was announced in June 2013 and the Bay du Nord discovery (estimated to contain between 300 and 600 million barrels of recoverable oil) was announced in August 2013. Bay du Nord was the world's largest conventional oil discovery of 2013 and the largest Statoil-operated discovery outside of Norway. The Harpoon and Bay du Nord discoveries are in close proximity to the 2009 Mizzen discovery, which is estimated to contain around 100 million barrels of recoverable oil. Statoil holds a 65% interest in the Mizzen, Harpoon and Bay du Nord fields, and Husky Energy holds the remaining 35% interest.

Despite the current low oil price environment, Statoil and Husky remain confident about the potential of the Newfoundland and Labrador offshore area, as evidenced by their ongoing 18-month drilling program in the Flemish Pass Basin. Statoil has progressed delineation and appraisal drilling in the area of the Bay du Nord discovery. To the end of October 2015, Statoil had drilled seven wells (including sidetracks) and indicated that good progress is being made. The drilling program is expected to continue into 2016 and Statoil and Husky have stated that the results of the exploration program will be released when the drilling program and analysis have been completed.

Exploration

Offshore

Over the past three years, the Province, in partnership with global seismic companies TGS and Petroleum Geo-Services, has conducted one of the largest seismic programs in the world. Assessment of the recently acquired seismic and electromagnetic data (EMGS) has resulted in the delineation of new offshore basins as well as extensions to existing basins offshore Labrador, and significant prospectivity in deepwater areas offshore Newfoundland. The Province continues

to invest in geoscience acquisition programs, including Multi Client 2D and 3D broadband seismic and 3D Electromagnetics (EMGS), strategically prior to future posting and bid rounds. Numerous geoscience programs are ongoing in several offshore areas including NL Northeast Slope, South Grand Banks, South Labrador Sea and Flemish Pass areas.

On the province's west coast, Black Spruce Exploration Corp. has a commitment to drill an onshore to offshore well before January 15, 2016. In addition, Corridor Resources and Ptarmigan Energy have indicated plans to drill at offshore prospects including Corridor's Old Harry Prospect, subject to various regulatory approvals, including completion of a project specific environmental assessment.

At present, there are two semi-submersible drilling rigs working in the Newfoundland and Labrador offshore area. The *West Aquarius* (commissioned in 2009) is currently under contract to ExxonMobil and is operating in the Hibernia field. The *West Hercules* (commissioned in 2008) is under contract to Statoil and is conducting exploration and delineation drilling in the Flemish Pass Basin.

Resource Assessment

The province commissioned Beicip-Franlab, a Paris-based petroleum consultancy firm, to evaluate the oil and gas resource potential of the 11 parcels offered in the March 2015 Call for Bids which closes on November 12, 2015. The company conducted an objective sedimentary and petroleum system analysis which concluded that the oil and gas resource potential of this area alone is 12 billion barrels of oil and 113 trillion cubic feet of natural gas. As these 11 parcels cover less than two per cent of Newfoundland and Labrador's 1.5 million square kilometre offshore area, the results of this study are extremely encouraging for the province's total oil and gas resource potential. This is the first time that an area's resource assessment was released prior to the closing of a Call for Bids. This is expected to draw the attention of more multinational oil companies, support increased offshore exploration activity, and result in new discoveries and subsequent new developments. A summary of the key results and main methodologies of the study can be found on Nalcor's website: *www.nalcorenergy.com/uploads/file/Atlas_Public_Final_2015-09-30.pdf.*

Onshore

Limited exploration activities are continuing onshore on the west coast of the island. Black Spruce Exploration is completing a regional study and analysis of the Deer Lake Basin. Investcan Energy Corp. continues to maintain its land rights in the Bay St. George Basin while the province completes a review of hydraulic fracturing. Furthermore, Enegi Oil Plc is producing intermittently at Garden Hill South on the Port au Port Peninsula.

Scheduled Land Tenure System

On December 19, 2013, the Canada - Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) announced the implementation of a new scheduled land tenure system which provides longer lead times for exploratory work in frontier areas and improves transparency, predictability and opportunity for industry input. Under the new system, the Newfoundland and Labrador offshore area is divided into eight regions, each of which are designated as either low activity, high activity, or mature depending on variances in the volume of data collection in the basins and geoscientific knowledge of the region. A map of the C-NLOPB's land tenure regions can be found at www.cnlopb.ca/pdfs /maps/nlol.pdf. The activity designation of each region will

Active Land Call Rounds

Timeline

Cycle	Call for Nominations (AOI) Open	Call for Nominations (AOI) Close	Sector Identification	Call for Nominations (Parcels) open for 6 weeks	Call for Bids Open	Call for Bids Close	Issuance of Licences
2015 Jeanne d'Arc (NL15-01JDA) (Mature)							
1-yr	na	na	na	25-Aug-15	Mar 2016	Nov 2016	Jan 2017
2015 South Eastern Newfoundland (Sector: NL01-SEN) (Low Activity)							
4-yr	3-Feb-15	30-Apr-15	24-Jun-15	Feb 2018	Aug 2018	Nov 2019	Jan 2020
2015 Labrador South (Sector: NL02-LS) (Low Activity)							
4-yr	3-Feb-15	30-Apr-15	24-Jun-15	Feb 2018	Aug 2018	Nov 2019	Jan 2020
2014 Eastern Newfoundland [Call for Nominations (Parcels) NL15-01EN] (High Activity)							
2-yr	21-Aug-14	28-Nov-14	24-Feb-15	25-Aug-15	Mar 2016	Nov 2016	Jan 2017
2013 Labrador South (Sector: NL01-LS) (Low Activity)							
4-yr	19-Dec-13	15-Mar-14	22-May-14	Feb 2016	Aug 2016	Nov 2017	Jan 2018
2013 Eastern Newfoundland (Call for Bids NL15-01EN) 11 parcels/2,581,655 hectares (High Activity)							
2-yr	19-Dec-13	15-Mar-14	22-May-14	21-Aug-14	31-Mar-15	12-Nov-15	Jan 2016

Source: Canada-Newfoundland and Labrador Offshore Petroleum Board

determine the amount of time available to interested parties to assess its hydrocarbon prospects before a Call for Bids for exploration rights is announced (see table).

Calls for Nominations and Bids

On December 12, 2014, the C-NLOPB announced the results of Call for Bids NL13-01 (Flemish Pass), Call for Bids NL13-02 (Carson Basin) and Call for Bids NL14-01 (Jeanne d'Arc Region). Successful bids were received for three of six parcels. The bid for NL13-01 made by ExxonMobil Canada Ltd., Suncor Energy Inc. and ConocoPhillips Canada Resources Corp. was $559 million, the highest bid ever on a land parcel in the Newfoundland and Labrador offshore area. Bids were also received for NL13-02 (Parcel 2) and NL14-01 with the highest bids from ExxonMobil Canada Ltd. in partnership with Suncor Energy Inc. at $21 million, and ExxonMobil Canada Ltd. at $16.7

million, respectively. The high level of these bids reflect the increasing interest multinational oil and gas companies have in the Newfoundland and Labrador offshore.

On March 31, 2015, the C-NLOPB announced the first call for bids round in the Eastern Newfoundland Region under the Scheduled Land Tenure Regime. The Call consists of 11 land parcels, totalling 2,581,655 hectares, in the Flemish Pass Basin near the Mizzen, Harpoon and Bay du Nord discoveries. Bidding for this call will close on November 12, 2015.

Enhanced Generic Offshore Oil Royalty Regime

On November 2, 2015, a framework for the Provincial Government's enhanced generic offshore oil royalty regime was announced. The enhanced royalty regime is internationally competitive, allowing oil companies to earn a fair return on their investments, while at the same time ensuring that the province receives its fair share from the development of its resources.

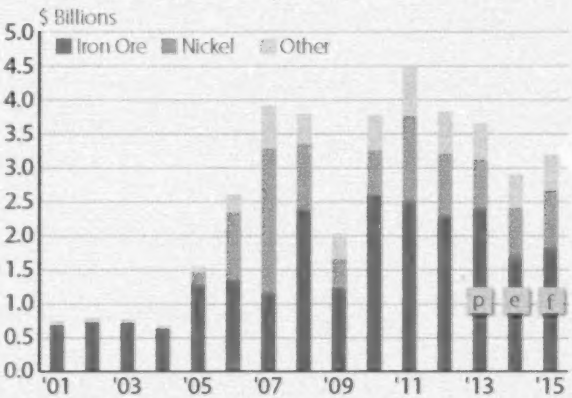
Under the enhanced regime, royalty rates will increase as fields become more profitable. Basic royalty, which is applied to gross revenue, begins at first production and increases from 1% to 7.5% as the project recovers its costs. Net royalty, which is applied to net revenue, only begins once project costs are fully recovered, and ranges from 10% to 50%. Basic royalty is a credit against net royalty once it becomes payable.

The establishment of this upfront, transparent and competitive royalty regime is expected to attract more interest in the province's offshore and act as a catalyst to the expansion of the province's oil and gas sector.

Mining

The value of provincial mineral shipments is expected to total approximately $3.2 billion in 2015, representing an increase of 9.8% from 2014 (see chart). This increase is largely due to higher production volumes for both iron ore and nickel which more than offset lower prices for these commodities. Total mining related employment (including employment associated with activities at Vale's Long Harbour nickel processing facility) is expected to be approximately 7,100 person years in 2015.

Value of Mineral Shipments



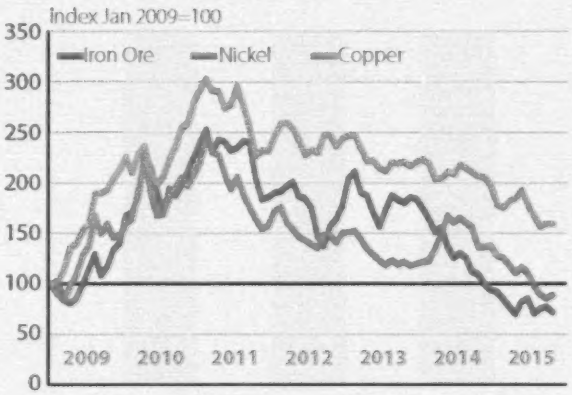
p: preliminary; e: estimate; f: forecast

Source: Department of Natural Resources; Natural Resources Canada

Market Conditions

Market conditions in 2015 continued to be challenging for the mining industry, particularly the iron ore sector. Slowing demand growth for iron ore in China, coupled with further production increases by a number of key iron ore producers, resulted in a significant decline in iron ore prices. Iron ore spot prices averaged US$58.02/tonne in the first 10 months of 2015, down 43.1% from the same period in 2014 (see chart).[3] As of early November, prices were hovering around US$50/tonne. Overall, iron ore prices have fallen around 60% in the past two years. Nickel prices also fared poorly, averaging US$5.63/pound in the first 10 months of the year, down 27.4% from the same period in 2014. Copper prices declined by 18.2% in the first ten months of 2015, averaging US$2.57/pound.

Mineral Price Indices (Monthly)



Source: London Metal Exchange, MetalPrices.com

Iron Ore

Following the suspension of operations at Labrador Iron Mines and the closure of Wabush Mines in 2014, the Iron Ore Company of Canada (IOC) and Tata Steel Minerals Canada (TSMC) are Newfoundland and Labrador's only remaining iron ore producers. Total iron ore shipments for the

3 Iron ore spot prices are for iron ore 62% Fe Qingdao China.

province are expected to be approximately 21 million tonnes in 2015, an increase of about 30% relative to 2014. The anticipated growth is due to production increases at both operations. The value of shipments is also expected to rise about 10% as higher shipment volumes offset lower prices.

Iron Ore Company of Canada

Total shipments from IOC are expected to increase from about 14 million tonnes in 2014 to over 17 million tonnes in 2015, as a result of the implementation of a $2 billion concentrate expansion program (CEP) undertaken from 2011 to 2014. Management's focus on cost reduction through operations efficiencies, aided by the new CEP infrastructure, has enabled IOC to increase production nearer nameplate capacity as a means of reducing per tonne costs since much of the operation's costs are fixed.

The results for the first three quarters of 2015, released by Rio Tinto (the majority owner of IOC), indicate that the company has made significant progress with shipments of pellets and concentrate reaching 13.2 million tonnes, up 24.0% from 2014. Additionally, in a recent investor presentation, Rio Tinto stated that IOC is expected to be at or near nameplate capacity of about 23 million tonnes by 2017. As part of cost cutting measures, IOC laid off approximately 150 workers in June of this year. However, the company has since brought on a number of new hires resulting in a reduced negative impact on company-wide employment levels. The project currently employs approximately 1,700 people.

Tata Steel Minerals Canada

TSMC's Elross Lake project, which straddles the Québec-Labrador border, is a joint-venture owned by Tata Steel and New Millennium Iron Corp. The first load of iron ore from the project was shipped in September 2013. Newfoundland and Labrador's share of shipments during 2015 are expected to total over three million tonnes.

The project's year-round processing plant is expected to be commissioned by the end of 2015, which will allow processing of lower grade ore and enable shipments to ramp up towards nameplate capacity of six million tonnes per year. The plant will process material from both Québec and Newfoundland and Labrador. Additionally, a rail spur to the processing plant has been completed, allowing rail shipments to be made directly from the plant instead of trucking to another property for rail loading.

Shipments in the upcoming years are expected to fluctuate as Newfoundland and Labrador's share of the plant's production will vary. The project (both production and continued development) is expected to create employment of just over 800 person years in the province in 2015 and will gradually decline to a steady state of around 350 person years in 2017 as construction ends.

Voisey's Bay

The volume of nickel shipped by Vale Newfoundland and Labrador (VNL) is expected to increase in 2015. The value of shipments is also expected to increase, as value added due to increased output from the Long Harbour processing plant and higher production volumes offset falling nickel prices. The company is expected to ship nickel worth $855 million in 2015, up about 16% compared to 2014.

In July of this year, Vale sanctioned the development of the Reid Brook and Eastern Deeps underground mine at Voisey's Bay. This project is expected to extend the life of the mine beyond 2030.

Employment for all aspects of the Voisey's Bay project, including mining operations and Long Harbour operation and development, was about 3,200 person years for 2015. Approximately 500 people were employed at the Voisey's Bay mine site and the balance was associated with the processing plant at Long Harbour. Operational employment (including contractors) at Long Harbour was about 700, but construction activity remained the biggest contributor to project employment in 2015.

Phase 1 of VNL's nickel processing facility development was completed in October 2013, with the successful production of first nickel in July 2014. Phase 2 construction activity has progressed in the past year with the focus of current work on the transition from processing imported nickel matte to processing Voisey's Bay concentrate. Construction of the remainder of the plant and commissioning will continue with the plant expected to process only Voisey's Bay concentrate as of the end of 2015.

Construction delays at the Long Harbour processing plant have resulted in amendments to the Voisey's Bay Development Agreement to allow continued export of concentrate from the mine. The latest amendment was announced in February 2015, and is expected to result in an additional $200 million to the Provincial Government and $30 million in commitments for community initiatives in Newfoundland and Labrador. In exchange, the Province raised the export cap allowing Vale to continue to export nickel concentrate from Voisey's Bay until the Long Harbour processing plant reaches full capacity. All exempted concentrate will be replaced and processed in Long Harbour.

Other Mines

Rambler Metals and Mining Canada Ltd. (RMM) extracts and processes ore from its copper-gold Ming Mine on the Baie Verte Peninsula. RMM commenced commercial production in November 2012 and shipped over 7,000 tonnes of copper concentrate in 2014. The original mine plan suggested a six year mine life, but a reserve statement published in early 2014 stated that additional reserves had been identified, adding an extra year to the mine's life. During the first two quarters of 2015, concentrate shipments were down around 35% as a result of lower grades in the current producing areas.

In July of this year, RMM announced that it had completed a pre-feasibility study of a high-tonnage, low grade resource in the area known as the Lower Footwall Zone (LFZ) located 100 metres below the sections currently being mined. This study outlined a plan to develop the LFZ. The project would reach full production capacity of 1,250 metric tonnes per day by 2018 and increase the mine life to 21 years.

Anaconda Mining Inc. began gold production in 2008 at its Point Rousse Project near Baie Verte. The project currently produces approximately 15,000 ounces of gold per year and employs around 60 people.

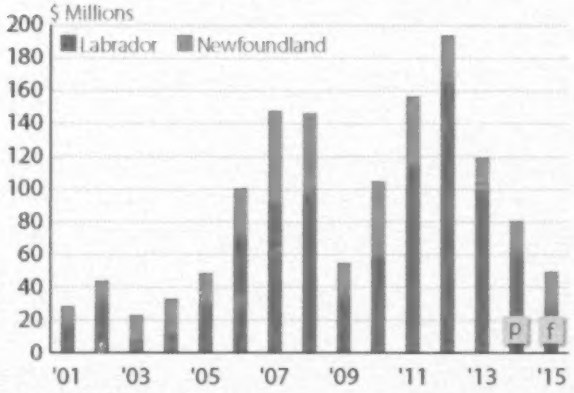
The Teck Duck Pond copper-zinc mine closed as scheduled on June 30, 2015 due to reserve exhaustion. The operation had employed approximately 320 people. Around 20 people remain employed for work associated with rehabilitation and closure of the site.

Atlantic Minerals, a major employer on the Port au Port Peninsula, continues to mine and ship chemical-grade limestone, chemical-grade dolomite and construction aggregate to markets in the Atlantic Coast of North America, South America and points in Europe and Africa. As a whole, the province's construction aggregate industry shipped approximately seven million metric tonnes valued at $26.6 million and generated around 550 person years of employment.

Exploration and Development

Mineral exploration and development activity has remained depressed in 2015 due to poor commodity markets and a difficult investment climate. A weaker iron ore market resulted in continued delays for a number of potential projects. Exploration expenditures are expected to fall again this year to $50 million from $81 million in 2014 (see chart). The major commodities of exploration interest were iron ore, base metals, gold and fluorspar.

Mineral Exploration Expenditures



p: preliminary; f: forecast

Source: Department of Natural Resources

In March 2014, New Millennium Iron Corp. (NML) and Tata Steel announced the results of a feasibility study on large iron ore deposits in Labrador and Québec. The study described a project with multi-billion dollar capital costs which could produce about 23 million tonnes of iron ore per year. However, the current weakness in the global iron ore market means that a North American project of this scope would be unlikely to attract sufficient financing. In September 2015, NML announced a new approach to the development of these deposits. Now renamed the NuTac Project, the development will consider a number of smaller scale projects that rely more on existing infrastructure.

Newspar continues its efforts to reactivate the underground fluorspar mine located in St. Lawrence. The company is an equal partnership between Canada Fluorspar Inc. (CFI) and Arkema (a multinational French chemical company). Newspar plans to develop two deposits, complete upgrades to the existing mill, and construct a tailings management facility and new marine terminal. In January 2013, CFI announced the results of a new preliminary feasibility study which estimated annual production of 131,000 tonnes and a mine life of 14 years. Newspar's project has been released from environmental assessment and the Provincial Government has committed a $17 million repayable loan to help CFI construct a port facility for concentrate export.

CFI has registered a separate surface and underground mining project which was released from environmental assessment in November 2015. The potential mine, located in St. Lawrence, is projected to produce up to 200,000 tonnes of fluorspar per year and create over 160 full-time positions over a 10 year mine life. A preliminary feasibility study has been completed and a feasibility study is being compiled.

Due to continuing weak global uranium prices, Paladin Energy Ltd. has placed the development of the Michelin Uranium Project into care and maintenance mode and will be reassessing the project in July 2017. Should the project resume, there would be an estimated four to six years of advanced exploration and pre-development activities used to conduct a pre-feasibility study on the viability of the project.

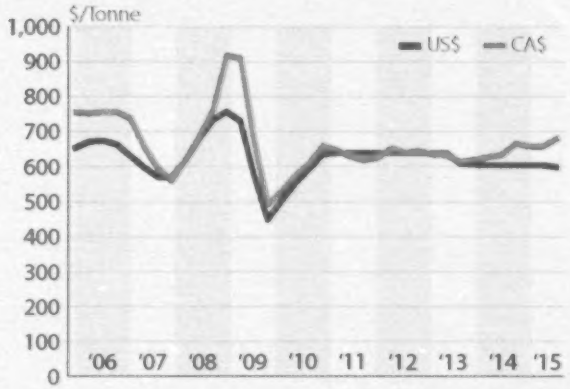
Forestry

Newsprint

North American Industry

North American newsprint producers continued to struggle with difficult market conditions in 2015. Newsprint shipments declined by 13.4% during the first eight months of 2015, compared to the same period in 2014. Total North American newsprint exports were down 15.8%, as gains in shipments to Europe were insufficient to offset declines in other export markets.

North American Newsprint Prices



Source: TD Financial Group; Pulp and Paper Weekly; Bank of Canada; Department of Finance

North American newsprint demand has declined for more than a decade, reflecting the growing popularity of digital media. Demand for newsprint dropped by two-thirds between 2000 and 2015. The industry has tried to limit the supply of newsprint in an effort to allow for higher prices, yet the market remains in an oversupply situation due to the steady decline in demand. This has induced downward pressure on newsprint prices. The price of newsprint averaged US$549/tonne in the first nine months of this year, 9.2% lower than the same period in 2014 (see chart). The marked decline of the Canadian dollar relative to the U.S. dollar has, however, provided some relief to Canadian producers. In Canadian dollars, the price of newsprint increased by 4.4% in the first nine months of 2015, compared to the same period the year before.

Provincial Industry

The provincial newsprint industry has faced challenges similar to those of the overall North American industry, with the number of newsprint facilities reduced from three to one over the last decade. The remaining facility is owned by Corner Brook Pulp and Paper Limited (CBPPL), a subsidiary of Kruger Industrial. CBPPL employs close to 550 full-time and casual workers among the paper mill, forest operations and power plants.

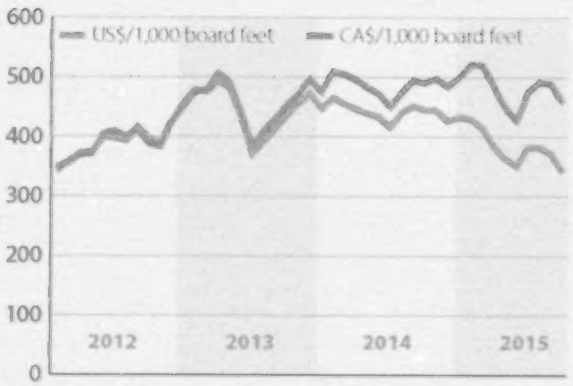
CBPPL has engaged in a long-term sustainability plan, facilitated by a loan agreement with the Provincial Government. The loan agreement was announced in 2014. Under the terms of the agreement, CBPPL has access to a fully repayable loan up to $110 million, secured by a mortgage on the company's power assets and water rights, including the Deer Lake Power Plant and Watson's Brook Power Plant. The loan is being used by the company for debt restructuring and capital improvements at the Corner Brook facility and the Deer Lake Power Plant, and has enhanced the sustainability of the mill. Rebalancing the operation of the mill is important to the Corner Brook region, and also has implications for the sawmill industry, which exchanges raw material with the paper mill for mutual benefit.

Provincial newsprint shipments during the January to September period totalled 186,058 tonnes, up 3.3% compared to the same period in 2014. The estimated value of shipments increased by 7.6%, benefitting from higher volume and depreciation of the Canadian dollar.

Lumber Production

Lumber prices declined from US$453/thousand board feet in August 2014 to US$373 in August 2015 (see chart). Prices have been negatively impacted by lower exports to China and the anticipation of the October 2015 expiration of the 2006 Canada/U.S. Softwood Lumber Agreement. Under the agreement, Canadian exporters to the U.S. faced a 15% tariff. The agreement also specifies that upon its expiration, Canadian producers will not face any trade tariffs for the next 12 months, thus easing trade constraints and putting downward pressure on prices. However, lumber prices are expected to increase slightly in 2016.

Lumber Prices



Note: Price is for Kiln Dried Eastern Spruce-Pine-Fir # 1&2 2x4 R/L - Delivered Great Lakes

Source: Random Lengths Weekly Pricing; Department of Natural Resources; Bank of Canada; Department of Finance

Canadian lumber production totalled 15.8 billion board feet during the first seven months of this year (up 6.3%) compared to the same period in 2014. British Columbia accounted for about one half of this production. During this period, Canadian lumber exports increased by 1.9%, exports to U.S. increased by 3.4% (71.7% of lumber exports) and exports to China decreased by 5.7% (17.4% of lumber exports).

Provincial lumber production is expected to increase modestly in 2015, due to improved saw log availability. Lumber production is expected to increase from 66.2 million board feet in 2014 to 72.0 million in 2015. Slight increases are also anticipated in 2016 and 2017.

Wood pellets production is a relatively recent addition to the forestry sector, providing a value-added product and diversifying the sawmills' product lines. Two wood pellet plants produce for the local market. A third one, Holson Forest Products in Roddickton began operations in 2011, with a focus on exporting. Its operations are currently idled as the company seeks a financial solution to get both the sawmill and pellet plant back into operation.

Future Development

The Provincial Government continues to work towards an agreement on the utilization of forest resources in central Newfoundland, which were formerly held by AbitibiBowater until the closure of the Grand Falls-Windsor mill in 2009. The Department of Natural Resources issued a Call for Expressions of Interest in 2013 to develop some of those timber resources. The unallocated wood supply available for development is 280,000m^3 per year (representing approximately 12% of the allowable wood supply for the island portion of the province). Subsequently, the province narrowed the proposals to one company, Rentech Inc., and negotiations are currently ongoing.

Another area of future opportunities consists of the development of Labrador forest resources, such as the timber that has been harvested from the Muskrat Falls reservoir. A business plan has been submitted and is currently being reviewed by Government.

Fishery and Aquaculture

The Newfoundland and Labrador seafood sector continues to be a significant contributor to the provincial economy. It is expected that the overall value of commercial landings will reach in excess of $700 million in 2015, the highest ever recorded. Meanwhile, the aquaculture industry is recovering after a challenging year in 2014.

The number of people employed in the fishery is expected to be down in 2015, resulting from both fewer processing plant workers and harvesters. Preliminary data indicates that processing employment decreased by 2.0% to 7,721 workers in 2015, compared to 7,881 workers in 2014. On the harvesting side, there were 8,818 registered harvesters in the province as of October 2015. It is anticipated that an additional 300 harvesters will register prior to the end of the season, compared with 9,416 harvesters in 2014.[4]

Capture Fisheries

Fish landings in 2015 are expected to decline to approximately 233,200 tonnes, down 4.4% compared to 2014 (see chart on page 26). The decrease in landings is mainly the result of lower shellfish landings. Landed value, however, is expected to increase to approximately $711 million, up 9.6% compared to 2014. Higher raw material prices for some species have more than offset lower landings. Inshore shrimp, lobster and turbot, in particular, have been the main species driving the rise in landed value.

4 Processing employment data are from the Department of Fisheries and Aquaculture's annual employment survey and are based on the number of individuals employed during the year. The harvesting employment data are based on the number of fish harvesters registered with the Professional Fish Harvesters Certification Board. These data differ from Statistics Canada's Labour Force Survey data (included in the table on page 1) which uses a person year concept of employment.

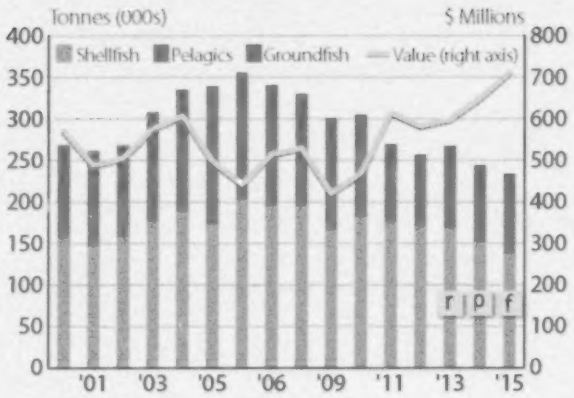
Shellfish

Shellfish landings are projected to be down 9.4% to around 137,300 tonnes in 2015, stemming mainly from lower catches of species in the "other shellfish" category which is anticipated to decline more than 40%.[5] The corresponding landed value for shellfish, however, is expected to increase 9.7% to $586 million due to higher prices for shrimp and lobster.

It is expected that shrimp landings will total about 69,400 tonnes in 2015, down 2.8% from 2014, due in part to the closure of the NAFO Division 3L shrimp fishery. However, due to significantly higher prices, the landed value of shrimp is expected to increase by 26.7% to around $266 million. The minimum landed price paid to harvesters for inshore shrimp in the 2015 spring fishery was $1.40/pound, up from $0.76/pound in 2014 (see chart). The minimum price increased to $1.64/pound in the summer fishery and reached $1.79/pound in the fall.

Snow crab landings are down 5.3% from 2014, to 47,300 tonnes due to lower quota and catches in NAFO Division 3Ps. Despite the decline in volume, the corresponding landed value only decreased 2.4% to $251 million because of higher prices. The 2015 landed price for snow crab averaged $2.41/pound compared to $2.34/pound in 2014.

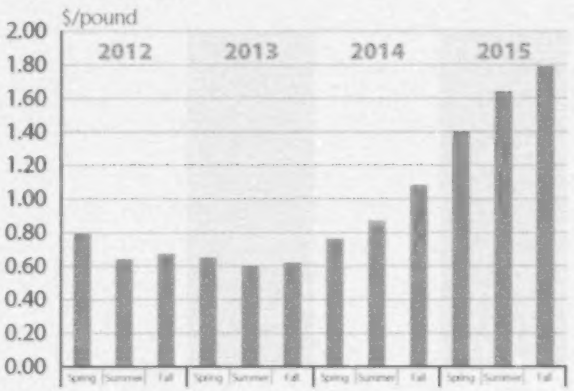
Capture Fishery Landings



r: revised; p: preliminary, f: forecast

Source: Fisheries and Oceans Canada; Department of Fisheries and Aquaculture

Minimum Landed Price Paid to Harvesters
Inshore Shrimp



Source: Fish, Food and Allied Workers Union

Groundfish

Groundfish landings are expected to be down 2.2% in 2015 to 33,500 tonnes due mainly to lower flounder catches, although higher redfish catches have somewhat offset this loss. The landed value for groundfish is expected to increase by 10% to approximately $106 million due to higher landings of redfish and increased raw material prices, particularly for turbot. The price for turbot averaged $2.35/pound this year, compared to an average of $2.20/pound in 2014. Turbot easily accounts for the largest share of overall groundfish, anticipated to be valued at around $65 million.

5 Other shellfish include surf clams, sea cucumber, other crab, other molluscs and other crustaceans.

Pelagics

Pelagic landings are forecast to increase by 7.5% to around 62,500 tonnes in 2015 due to significantly higher capelin catches (up 27%). The volume of the other two main pelagic species, herring and mackerel, are expected to be down. Landed value for pelagics is forecast to increase by 8.8% to around $19 million due to the higher volume of capelin caught as prices remained relatively unchanged from 2014.

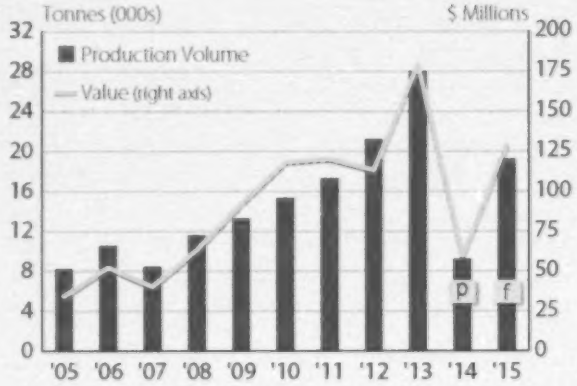
Seals

The number of seals harvested decreased by 40.6% to 35,324 in 2015, as a result of a reduction in harvesting effort due to weaker market prospects. Market access continues to present a challenge for this segment of the industry.

Aquaculture

Aquaculture production is starting to rebound in 2015 after decreased salmonid production in 2014. Lower production was attributable to the removal of fish from the production cycle (due to the detection of the virus that may lead to Infectious Salmon Anaemia) in 2012 and 2013, and the superchill event during the winter of 2014. Total production in 2015 is anticipated to increase to approximately 19,200 tonnes, up from 9,200 tonnes in 2014 (see chart). By 2016, production is anticipated to meet or exceed the peak volume recorded in 2013.

Aquaculture Production Volume and Value
(all species)



p: preliminary, f: forecast
Source: Department of Fisheries and Aquaculture

Salmonid production is expected to nearly triple in 2015, increasing to about 16,200 tonnes compared to 5,980 tonnes in 2014. The corresponding market value is anticipated to more than double, reaching nearly $117 million, due to the growth in volume. Market prices for Atlantic salmon declined this year compared to 2014; however, the impact has been partially offset by more favourable exchange rates in 2015.

Mussel production is anticipated to decline by 8.0% to approximately 3,000 tonnes in 2015. The production value is projected to decline 4.0% to $12 million. Mussel prices in the marketplace have remained stable over the past year; however, the U.S. dollar exchange rate has resulted in higher prices paid to Newfoundland and Labrador processors. The average price to date for 2015 was $1.84/pound, compared to an average of $1.65/pound in 2014.

On May 14, 2015, the Department of Fisheries and Aquaculture announced it would provide $8.15 million in funding to Northern Harvest Sea Farms Inc. to expand the company's aquaculture operations in the province. The investment will increase production capacity and is anticipated to generate additional employment for the south coast region. To date in the 2015-16 fiscal year, Government has invested $1.33 million in marine infrastructure for the aquaculture industry. Minor

repair work was completed for both the Harbour Breton and Hermitage wharves. Furthermore, major construction on the Milltown wharf was completed this past winter.

On October 26, 2015, the Provincial Government and Grieg Newfoundland AS (Grieg) entered into a Memorandum of Understanding (MOU) regarding Grieg's intention to establish aquaculture operations in the province. The $251 million project will produce an estimated 33,000 tonnes of salmon annually and includes a $75 million hatchery to be located in Marystown and 11 sea cage sites in Placentia Bay. The Provincial Government would make a $45 million equity contribution to the project. This is expected to create approximately 325 direct and 235 spinoff person years of employment, based on preliminary estimates. As a result of the project, the province's current Atlantic salmon aquaculture production will more than double.

Estimates of direct employment in the aquaculture industry for 2015 will not be available until early next year. Direct employment in 2014 was estimated at 435 persons, down from 509 persons in 2013 reflecting lower volumes of product.

Processing and Marketing

Seafood production during the January to August 2015 period totalled approximately 108,300 tonnes, up 14.1% from the same period in 2014. The increase in production over this time period was largely the result of a rebound in Atlantic salmon production from aquaculture, along with an increase in capelin production. To date, 81 active seafood processing facilities in the province reported production in 2015, down from 89 in 2014. Of these, 69 were primary processing facilities (including aquaculture). The remaining 12 were involved in either secondary processing or retail (i.e. retail businesses with a licence to process fish for the provincial market only).

International trade of fish products continues to expand, reflecting increased demand throughout much of the world. Emerging markets, particularly in Asia and especially China, are driving global fish consumption growth. In the medium term, demand in the U.S., the European Union (EU), and Japan is expected to continue to trend upward. The Canadian dollar has depreciated against several currencies in key export markets and this has had a positive influence on returns to seafood producers, as the majority of the province's seafood is exported.

The U.S. and China together accounted for over 60% of the export value for the province's seafood products from January to August 2015. The U.S. remains the largest market and represents 45.6% of total export value, while China accounted for 18.9%. Other major markets include the United Kingdom (8.7%), Denmark (4.8%), Iceland (3.8%), and Vietnam (3.5%). From January to August of this year, Newfoundland and Labrador seafood product exports were valued at approximately $774 million, compared to $687 million over the same period in 2014.

Snow crab accounted for the highest value of all Newfoundland and Labrador seafood exports to date in 2015. The total export value for snow crab was $298 million in the January to August 2015 period, down from $320 million in the same period of 2014. Market prices in the U.S. were down this year, as increased supply from Alaska and the Gulf of St. Lawrence dampened prices. The average market price for 5-8 ounce snow crab sections was US$5.00/pound from January to September, down from an average of US$5.27/pound in 2014. Nonetheless, prices remained high compared to the past 10 years, and the favourable changes in exchange rates more than offset the lower price in 2015. In Canadian dollar terms, the average price was $6.30/pound from January to September 2015, up from an average of $5.82/pound in 2014.

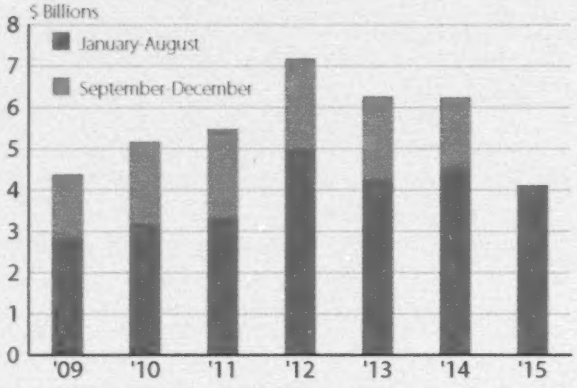
The global supply of coldwater shrimp is expected to decline in 2015, due to lower quotas in Greenland and Norway. As a result, market prices increased significantly this year. The price of 150-250 count shrimp in the January to September 2015 period in the Danish market averaged $8.80/pound, up 64% over the average price of 2014. Prices weakened slightly in the last couple of months but remain at record highs. The lower supply due to decreased quotas will most likely keep shrimp prices at a relatively high level.

Seafood market analysts have recently stated that the global supply of groundfish is expected to remain stable for 2015-2016, while demand for groundfish is expected to remain strong. Market prices for cod have shown an upward trend for some time. The price for an 8-12 ounce shatter pack has increased from an average of US$2.95/pound in 2014 to US$3.18/pound for the first eight months of 2015, while the price of five-ounce loins rose from US$3.00/pound to US$3.26/pound.

Manufacturing

Newfoundland and Labrador's manufacturing industry contributed $919 million to nominal GDP in 2013, accounting for 2.7% of total provincial GDP. Manufacturing employment in 2014 was approximately 10,600 person years and represented almost 4.4% of total employment in the province. While there are many manufacturers in the province producing a wide variety of products, the majority of manufacturing output is concentrated in four areas: refined petroleum, food processing (primarily fish), fabricated metal manufacturing and newsprint.

Manufacturing Shipments



Source: Statistics Canada

The value of provincial manufacturing shipments decreased in 2015, mainly due to a drop in the value of refined petroleum products manufactured at the province's only oil refinery in Come by Chance. In the first eight months of this year, the value of manufacturing shipments totalled $4.1 billion, representing a decrease of 10.1% compared to the same period last year (see chart).

In July 2014, Vale Newfoundland and Labrador Ltd. achieved successful production of first nickel at the nickel processing facility in Long Harbour using a blend of high purity raw material from Indonesia and small quantities of ore from Vale's mine in Voisey's Bay. Vale continued to ramp up production in 2015 as well as integrate the remaining components required to process Voisey's Bay concentrate (see *Mining* for details). In the first nine months of 2015, the value of international exports from the non-ferrous metal smelting and refining industry totalled over $49 million.

The ownership of the North Atlantic refinery in Come by Chance changed late last year. The sale of NARL Refining, LP (including the North Atlantic refinery) to SilverRange Financial Partners LLC closed on November 13, 2014. This sale followed operating losses of US$691.1 million and US$226.1 million in 2013 and 2014, respectively. The 115,000 barrel per day refinery is strategically located along Atlantic crude oil shipping routes and provides access to petroleum markets in Europe and the eastern U.S. seaboard. In addition, the company affirms that the refinery's clean-fuel technology enables it to produce low-sulphur, clean fuels, providing flexibility to refine crudes from many parts of the world. As a result, SilverRange has committed to investing capital and improving operations at the refinery to support continued operations, employment and economic benefits in the province. Specifically, it will reduce overall sulphur dioxide emissions at the refinery and undertake a capital investment program at the tank farm. Capital expenditures for 2015 are expected to total $80 million. The value of petroleum exports from the North Atlantic refinery totalled over $2 billion in the first nine months of 2015, representing a decrease of 12.1% compared to the same period last year. This drop in value can mainly be attributed to a decline in prices.

Fish processing continues to play a significant role in Newfoundland and Labrador's manufacturing industry. The value of international seafood product exports totalled $774 million in the first eight months of 2015—up 12.7% from the same period in 2014. This growth can be attributed to higher average market prices for some species (see *Fishery* for details).

Fabricated metal manufacturing has continued to benefit from the development of various major projects in the province. In the first eight months of this year, the value of fabricated metal manufacturing shipments totalled $384 million, representing an increase of 9.5% relative to the first eight months of last year. These shipments comprised 9.4% of the total value of provincial manufacturing shipments over this period, compared to 7.7% in the same period in 2014. However, fabricated metal manufacturing employment averaged almost 1,100 in the first 10 months of this year—down 33.8% from the first 10 months of 2014.

The volume of newsprint shipped from Corner Brook Pulp and Paper Limited grew during the first nine months of 2015, increasing 3.3% relative to the same period in 2014. Furthermore, the estimated value of shipments rose 7.6% on a year-over-year basis due to a higher volume of shipments and high Canadian dollar prices as the Canadian dollar depreciated (see *Forestry* for details).

Employment in the manufacturing industry averaged approximately 11,800 in the first 10 months of 2015—up 8.6% from the same period in 2014. Gains in employment were mainly due to increases in other food and beverage (excluding fish processing) manufacturing, computer and electronic product manufacturing, and non-metallic mineral product manufacturing. These gains more than offset the losses in fabricated metal manufacturing employment.

Labour income in the manufacturing industry grew 12.5% in the first half of 2015 compared to the first half of last year. This growth is the result of both employment growth and wage gains. Nationally, manufacturing labour income rose only 4.2% over the same time frame.

Advancements in Newfoundland and Labrador's manufacturing industry included:

- Construction of the Hebron gravity based structure began at the Bull Arm construction site in October 2012, while topsides fabrication for the project began in 2013. As of September 30, 2015, almost 3,600 individuals were employed at this site and construction and fabrication activities for the project will proceed for several years.
- Husky Energy completed a graving dock at the former naval base in Argentia at the end of March 2015. This facility was intended to be used to fabricate a concrete wellhead platform for the West White Rose Project; however, Husky announced in December 2014 that it is deferring the final investment decision on the West White Rose project for a year and is also considering other modes of development, including subsea. Nevertheless, the site will have the potential to be used for future fabrication work and to complete emergency or refit work on offshore drilling rigs.
- Pennecon Energy finished assembling two decks for the Hebron GBS at the Port Harmon industrial facility in Stephenville in February 2015. Furthermore, they completed assembly work for an additional three decks for the Hebron GBS in September 2015. There were about 120 manufacturing positions, including support staff, while this work was being completed. Currently, Pennecon is in the process of seeking additional fabrication work associated with other oil and gas and mining projects in the province.
- In October 2015, fabrication of a flare boom for the Hebron project was completed by Talon Energy at an industrial fabrication facility in Channel-Port aux Basques. This work lasted about 16 months and employed about 50 manufacturing positions. Talon also fabricated a sub-sea manifold structure for Husky Energy's South White Rose extension that was completed between January and August of 2014 at the same facility.

Real Estate

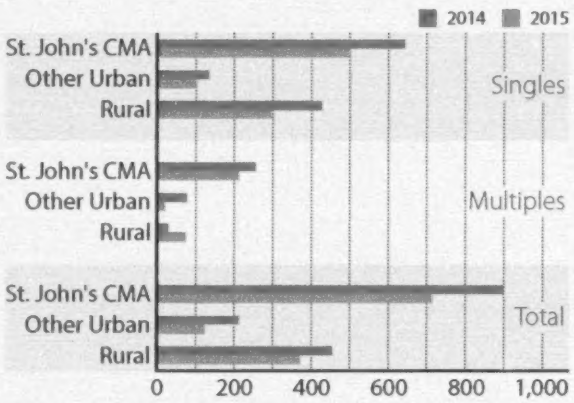
Provincial residential real estate activity continued to be moderate in 2015. Although the number of housing starts continued to decline, the number of houses sold increased slightly in the first three quarters of 2015 compared to the same period in 2014. Housing prices in the province have finally plateaued, after increasing for nearly a decade. The residential rental market remained strong in 2015, with vacancy rates dropping and average rents increasing in most urban areas of the province. In the commercial sector, the office vacancy rate continued to increase; however, demand for office space remained strong and average rental rates rose during the first three quarters of 2015.

Housing Starts

Housing starts in the province totalled 1,209 units during the first three quarters of 2015, a decrease of 22.8% compared to the same period in 2014. Single-detached housing starts, which typically account for the vast majority of total starts in the province, declined 25.0% to 902 units. Multiple starts (which include denser housing types such as row, semi-detached homes, apartments and condominiums) decreased 15.4% to 307 units.

Urban housing starts, which account for approximately two-thirds of housing starts in the province, totalled 838 units over the first three quarters of the year, a 24.5% decrease over the same period in 2014. Rural housing starts were down 18.6% to 371 units, compared to 456 units in the first three quarters of 2014.

Housing Starts, January - September

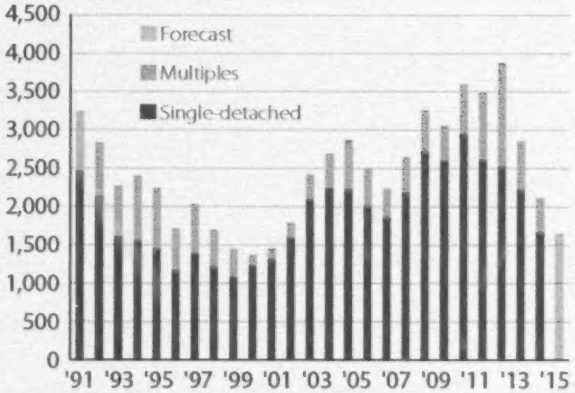


Source: Canada Mortgage and Housing Corporation
Note: "Other Urban" includes Bay Roberts, Gander, Grand Falls-Windsor and Corner Brook

The St. John's Census Metropolitan Area (CMA), which is the single largest housing market in the province, experienced a decline in housing starts during the first three quarters of the year (see chart on previous page). There were 212 multiple starts and 502 single starts in the St. John's CMA in the first three quarters of 2015, declines of 17.2% and 21.8%, respectively, compared to the same period in 2014.

For 2015 as a whole, total provincial housing starts are forecast to be 1,655 units (see chart). If realized, this would represent a decrease of 21.9% from 2,119 units in 2014.

Housing Starts



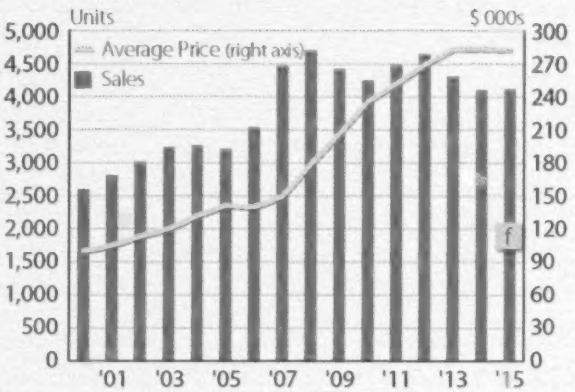
Source: Statistics Canada; Department of Finance

Residential Sales and Prices

The number of residential properties sold in the province through the Canadian Real Estate Association's Multiple Listing Service (MLS®) rose 2.3% to 3,074 units during the first three quarters of 2015 compared to the same period in 2014 (see chart). Nationally, residential sales increased 5.1% compared to the same period in 2014.

The average MLS® residential price in the province was $279,584 in the first three quarters of 2015, a decrease of 3.1% compared to the average price of $288,418 recorded during the same period in 2014. Nationally, the average MLS® residential price grew 8.2% over the same period.

Residential MLS® Sales and Average Price



f: forecast

Source: Canadian Real Estate Association

The ratio of sales-to-new listings is commonly used as an indicator of housing market conditions. A housing market is generally considered balanced when the sales-to-new listing ratio ranges from 40% to 60%. A ratio below 40% indicates a buyers' market, while a ratio above 60% indicates a sellers' market. In the first three quarters of 2015, the sales-to-new listings ratio in the province averaged 34.2%, slightly higher than the average of 32.8% during the same period in 2014, but still indicative of a buyers' market.

Although sales increased provincially, sales activity decreased in the St. John's CMA. The number of residential sales in the St. John's CMA decreased 10.1% to 2,009 units in the first three quarters of 2015, compared to 2,234 units during the same period of 2014. The average MLS® residential price in the St. John's CMA dropped from $328,062 in the first three quarters of 2014 to $312,870 in the first three quarters of 2015, a decrease of 4.6%.

Rental Market

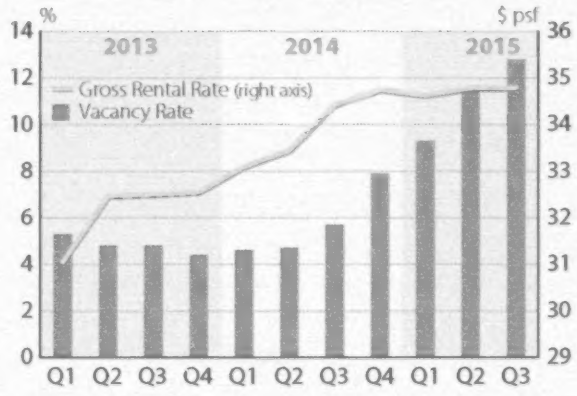
The province's average residential vacancy rate was 4.0% in October 2015, a decrease of 0.1 percentage points (ppt) from October 2014. Despite the fact that over 120 apartment units were added to the rental market, the vacancy rate in St. John's dropped by 0.1 ppt, from 4.6% in October 2014 to 4.5% in October 2015. As of April 2015, vacancy rates were 3.4% in Corner Brook (up 0.5 ppt from April 2014), 2.9% in Gander (down 0.3 ppt), and 3.3% in Grand Falls-Windsor (down 0.5 ppt).

The average monthly rent for a two-bedroom apartment in the province in October was $832, up from $812 in the previous year. By comparison, the average rent for a two-bedroom apartment was higher in Nova Scotia ($980), but lower in Prince Edward Island ($820) and New Brunswick ($744).

Commercial

The growth in the economy in recent years has led to significant expansion in the commercial office sector. In particular, the establishment of offices by oil companies and firms that support the oil industry has greatly increased the demand for office space. To keep pace with this demand, there has been a surge in new and renovated office space construction in recent years. In 2014 alone, over 360,000 square feet of new office space were completed in the St. John's CMA, representing about 10% of the total office space inventory.

Office Vacancy and Rental Rates, St. John's



psf: per square foot

Source: Cushman & Wakefield Atlantic

Since commercial construction completions in 2014 were much higher than normal, a drop in 2015 was anticipated. During the first three quarters of 2015, construction completions in the St. John's CMA totalled 85,000 square feet of office space, a decrease of 60.3% compared to the same period in 2014.

The office vacancy rate in St. John's averaged 11.2% over the first three quarters of 2015, a jump of 6.2 ppt compared to the same period in 2014; however, this is mainly attributable to a significant increase in the supply of office space. Despite the increase in the vacancy rate and the increase in office space supply, the demand for office space remained strong. The average rental rate for office space grew 3.2% to $34.73 per square foot in the first three quarters of 2015 compared to $33.66 during the same period in 2014 (see chart).

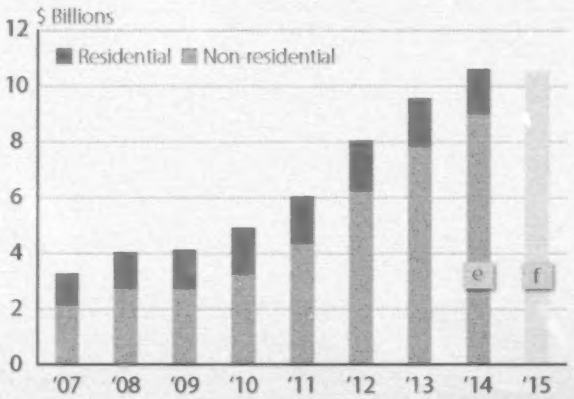
Construction

Activity in the construction industry has remained at historically high levels in 2015. Following unprecedented growth over the past several years, construction investment is expected to decline by 0.7% to $10.5 billion in 2015 (see chart). Growth in non-residential construction investment is expected to be offset by lower residential investment. Major project activity continues to dominate non-residential spending with high levels of expenditure on projects such as Muskrat Falls and Hebron. Construction employment and wages have both doubled since 2001 and remain at high levels.

Investment Expenditures

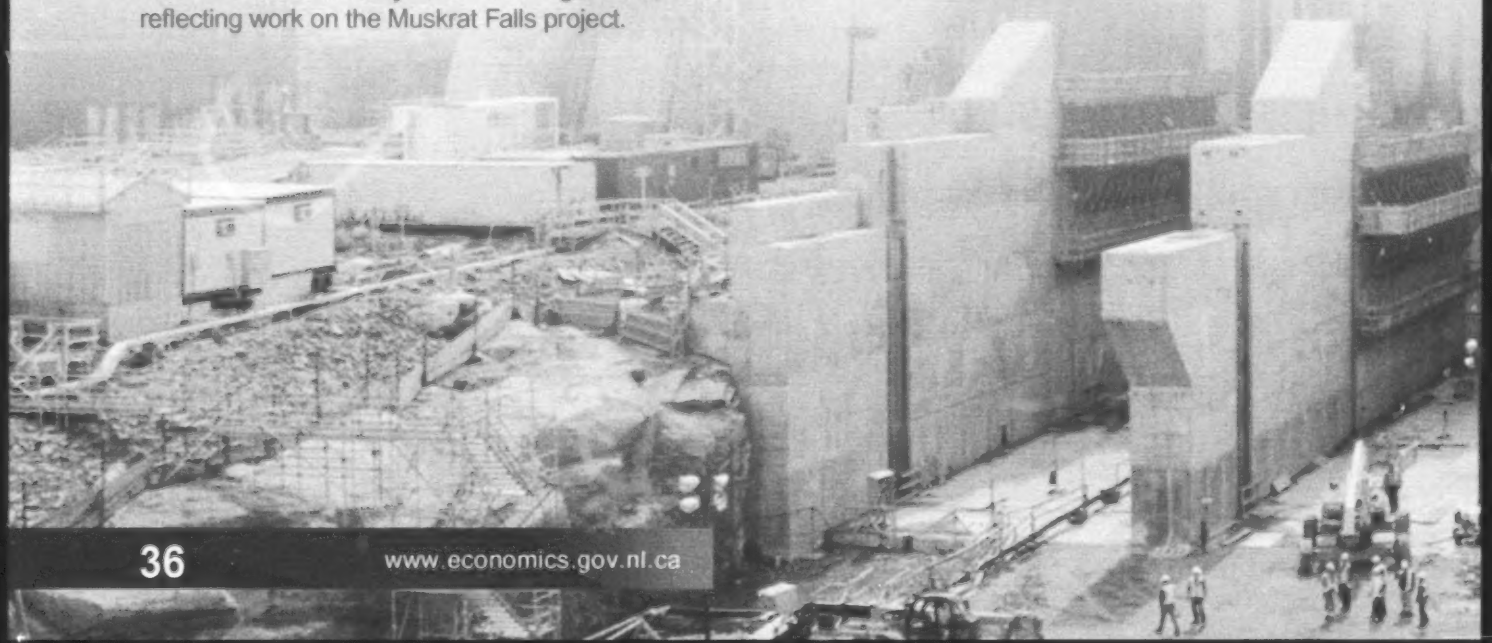
Non-residential investment expenditures accounted for 84.8% of total construction investment in 2014. Expenditures in this sector are expected to grow by roughly 1% in 2015 to $9.1 billion, a record high. Approximately 60% of non-residential expenditures in 2014 were attributable to the mining and oil and gas extraction industries, though this share has fluctuated from year to year. Investment in mining and oil and gas this year included both the expansion of currently producing oil projects, such as White Rose and Hibernia, as well as new construction related to the ongoing development of the Hebron project. Investment in the utilities industry was also significant, reflecting work on the Muskrat Falls project.

Construction Investment



e: estimate f: forecast

Source: Statistics Canada; Department of Finance

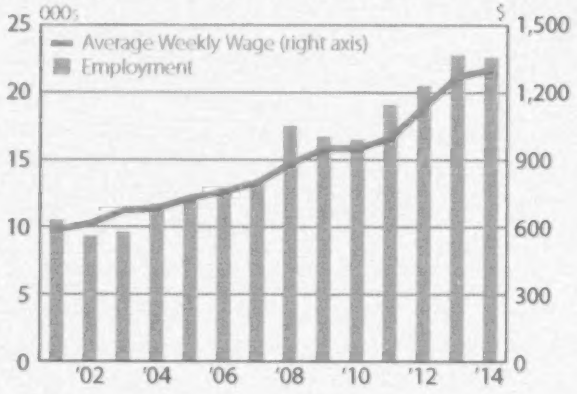


Investment in residential construction is expected to fall in 2015, but remain high on a historical basis. During the first two quarters of 2015, residential investment expenditures fell 6.9% with expenditures on renovations (up 7.2%) partially offsetting declines in expenditures on new dwellings (down 25.1%). The decrease in expenditures for new dwellings is consistent with fewer housing starts this year (see *Real Estate*).

Employment and Wages

The surge in construction investment in the province is reflected in industry labour demand indicators. Construction wages have increased considerably over the past seven years (see chart). Between 2007 and 2014, average weekly wages in the construction industry increased by over 60%. Over the first eight months of 2015, weekly wages in construction grew by a further 7.0% when compared to the same period in 2014, averaging $1,374. Amongst provinces, only Alberta recorded a higher wage level. Over the first ten months of 2015, average employment in the construction industry increased by 1.0%, compared to the same period in 2014, reflecting higher employment levels at Vale's nickel processing facility in Long Harbour and the Muskrat Falls hydroelectric project. Ongoing major project development, public sector infrastructure spending and a number of new commercial and industrial projects have been the primary drivers of historically high levels of construction activity in Newfoundland and Labrador.

Construction Employment and Wages



Source: Statistics Canada

Travel and Tourism

Global and National Travel

International travel, as measured by tourist arrivals, has recorded robust growth (averaging 4.5% per annum) since 2010, culminating in a record 1.1 billion tourist arrivals in 2014. This trend continued in 2015. According to the United Nations World Tourism Organization's World Tourism Barometer (August 2015), international tourism demand remained strong for the first six months of the year, recording 538 million overnight visitors, or 4% more than in the same period last year. All regions, with the exception of Africa, registered inbound tourism growth for the January to June period of the year, with Canada (up 8%) and Mexico (up 8%) posting some of the strongest gains. Solid tourism demand was fueled by travellers from the U.S., France, Sweden and Spain, while China and India led growth among emerging economies.

Overnight foreign visitation to Canada was up nearly 7% for the period of January to August 2015. Typically, the majority of tourists to Canada come from the U.S. (around 70%), while most other tourists visiting Canada come from the U.K., China and France. Supported by a very favourable exchange rate, visits from the U.S. increased 7.0% over the January to August period, with automobile visitation increasing 7.3% and air visitation up 6.8%. Visits from other countries for the first eight months of the year were up 5.8% compared with 2014 levels. This increase was led by significant growth in arrivals from emerging markets, such as South Korea, China, India, Mexico and Brazil (up more than 8% each), while growth in core European markets (U.K., France and Germany) was more moderate compared to 2014 levels.

Provincial Travel

The travel and tourism sector in Newfoundland and Labrador has flourished over the past decade and continues to be an important part of the province's economy. Consisting of both residents who travel within the province and non-residents who visit the province, the sector has recorded annual expenditures of about $1 billion in recent years. The province's tourism marketing efforts have played a role in attracting travellers to the province. Additionally, the sector has been supported by continued improvements and additions to infrastructure, including airport expansions, replacement of ferries, and construction of restaurants, convention facilities and hotels.

Residents engaging in tourist activities within the province typically account for between 50% and 60% of spending in the province's tourism sector. Non-resident tourism is particularly important since it brings new money into the province. Ontario and the Maritimes typically account for the majority of non-resident visitors to the province.

For the period ending August 31, 2015, non-resident air and automobile visitation to the province reached an estimated 348,189 visitors, an increase of 2.0% compared to 2014 levels. The number of non-resident air visitors reached an estimated 276,820 for the first eight months of the year, an increase of 1.4% compared to 2014, while the number of non-resident automobile visitors reached 71,369 during the same time period, an increase of 4.2% (see chart).

Non-Resident Automobile Visitors

Newfoundland and Labrador, 2014 & 2015

Source: Department of Business, Tourism, Culture and Rural Development

Inbound non-stop seat capacity is a major indicator of the state of air access to the province. The significant increase in inbound seat capacity (11%) in 2014 was followed by a more modest 2% increase (23,645 additional seats) in 2015. The increase was driven by the international sector, which added over 20,000 new non-stop seats in 2015. Both Air Canada (+6,960 seats) and WestJet (+5,654) added capacity to their overseas services between St. John's and Heathrow and Dublin, respectively, while Air Transat launched a new seasonal service between Gander and Gatwick.

After solid non-stop intra-provincial capacity gains between the province's seven major airports (+6% or nearly 25,000 seats) in 2014, 2015 recorded a significant drop of 9.5%, bringing capacity to the lowest level in the past five years. With the exception of Gander (+38%) and St. Anthony (+3%), all other major airports registered declines in capacity from other provincial airports. Capacity at Wabush was impacted by runway closures due to resurfacing work, affecting air traffic daily between 1 pm to 1 am for the period from June 15 to September 21, 2015.

It should be noted that St. John's International Airport—the province's main gateway—was significantly impacted by ongoing runway construction and record-setting poor weather in 2015 which affected over 200 flights, involving cancellations and re-routing to other airports. Upon completion of the runway construction in 2016, the airport will be equipped with a Category III Instrument Landing System (CAT III ILS). Once operational, this technology will allow aircraft to

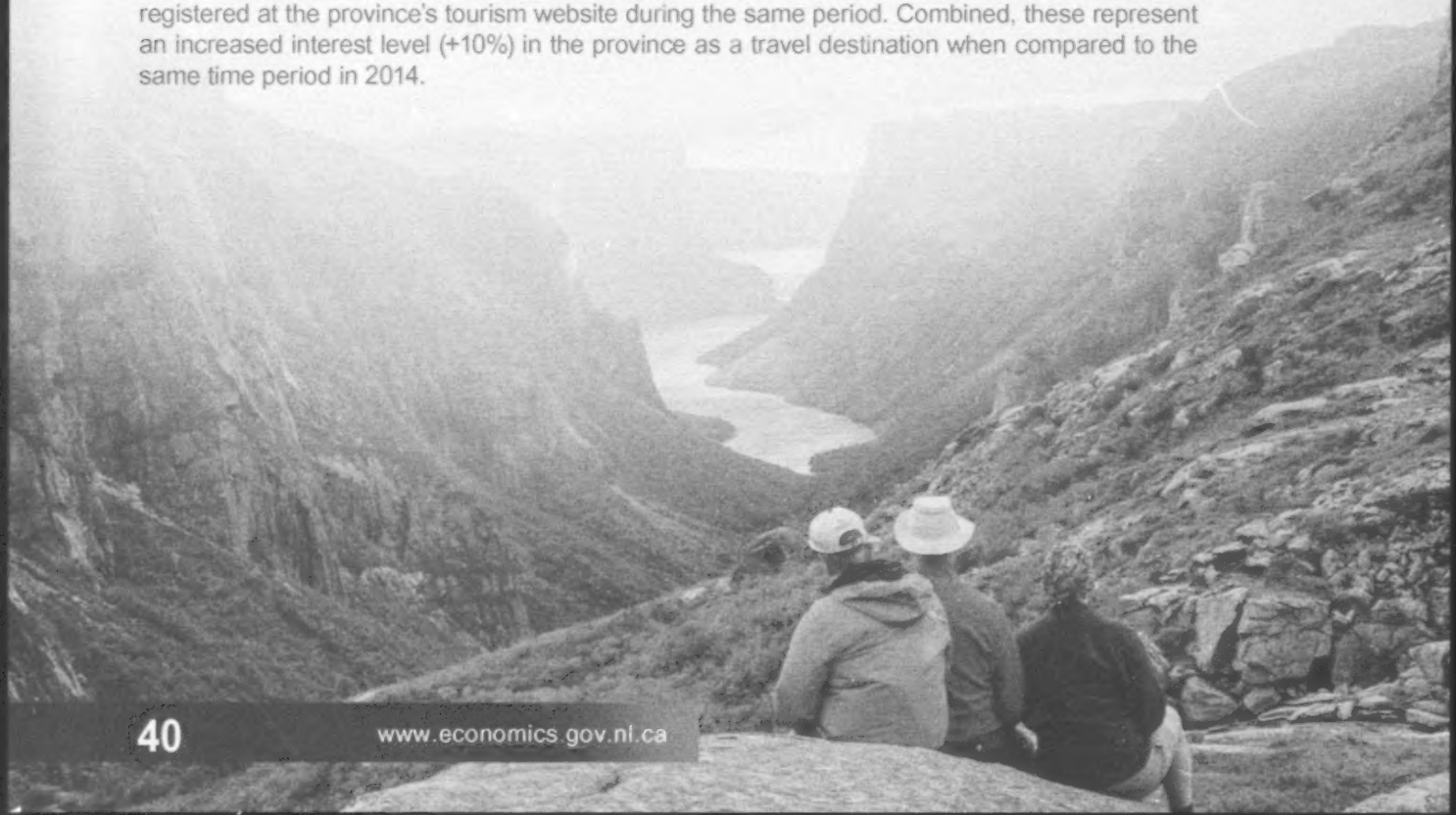
land and take-off in conditions of very low visibility, a weather challenge that has historically had a negative impact on the airport's operations. The installation of this technology will increase the usability of the airport to 99%, putting it on par with all major airports in Canada. As a result, an estimated 700 more flights and 70,000 more passengers will be able to arrive and depart annually without delays or cancellations.

Preliminary information from Cruise Newfoundland and Labrador indicates that the province expected to receive 64 port calls during the 2015 cruise season, compared to 69 port calls in 2014. However, a number of scheduled port calls were cancelled due to weather or mechanical issues. Despite these cancellations, passenger visits are on track to be approximately 28% higher than in 2014.

Demand for accommodation services remained high in 2015, with preliminary information available to date indicating another year of growth. Room nights sales (+2.2%), room revenue (+4.1%) and revenue per available room (+2.0%) are all showing upward trends during the first seven months of the year compared to the same period in 2014. Accommodation occupancy reached 48.4%, for the period ending July 2015, on par with the same period in 2014. The average daily rate reached $133 for the period ending July 2015, an increase of 1.8% compared to last year.

Activity up to the end of August indicates that the meetings, convention and incentive travel market is behind last year's levels by 19% in terms of the number of room nights attributed to events taking place in St. John's. This may be partially due to the closure of the St. John's Convention Centre during 2015 for ongoing construction and renovations. The convention centre is scheduled to re-open in January 2016. The expanded convention centre will provide 47,000 square feet of divisible meeting space, double its previous capacity.

The Province has promoted tourism through many forums including award-winning marketing campaigns and advanced technologies such as mobile applications (i.e. apps). Over 32,410 enquiries for provincial travel-related information from all sources (i.e. web, e-mail, telephone) were reported from January to August 2015. In addition, approximately 1.7 million visits were registered at the province's tourism website during the same period. Combined, these represent an increased interest level (+10%) in the province as a travel destination when compared to the same time period in 2014.



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i Cow Head Lighthouse
Source: Department of Business, Tourism, Culture and Rural Development

2 China, skyline
Source: www.forbes.com

7 Arches Provincial Park
Source: Department of Business, Tourism, Culture and Rural Development

11 Harbour Breton
Source: Department of Business, Tourism, Culture and Rural Development

17 Construction of Hebron GBS
Source: Hebron Project

21 Iron Ore Company of Canada's Luce Pit
Source: Department of Natural Resources

22 Lumber at Burton's Cove Logging & Lumber Ltd., Hampden
Source: Forestry and Agrifoods Agency

25 Newfoundland and Labrador Seafood
Source: Department of Fisheries and Aquaculture

29 Steelhead Trout processing, Cooke Aquaculture
Source: Department of Fisheries and Aquaculture

30 Completed flare boom for the Hebron GBS
Source: Hebron Project

33 Newly constructed houses
Source: Department of Finance

36 Muskrat Falls Construction, July 2015
Source: Communications Branch, Government of Newfoundland and Labrador

38 Hiking the East Coast Trail near Cape Spear
Source: Department of Business, Tourism, Culture and Rural Development

40 Back country Hiking, Western Brook Pond Fjord, Gros Morne National Park
Source: Department of Business, Tourism, Culture and Rural Development

41 Cuckold's Hill
Source: Calvin Matchim

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